U.S. DEPARTMENT OF COMMERCE
National Technical Information Service

PB-275 436

Major Financial Assistance Programs Available for Industrial Pollution Control Expenditures Federal and EPA Region III State Programs

Environmental Protection Agency, Philadelphia, Penn. Region III

1 Jun 77

340/1-77-023
DECEMBER 1977

PB 275 436

Stationary Source Enforcement Series

MAJOR FINANCIAL ASSISTANCE PROGRAMS AVAILABLE FOR INDUSTRIAL POLLUTION CONTROL EXPENDITURES

(FEDERAL AND EPA REGION III STATE PROGRAMS)

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U.S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

U.S. ENVIRONMENTAL PROTECTION AGENCY
Office of Enforcement
Office of General Enforcement
Washington, D.C. 20460

TECHNICAL REPORT DATA
(Please read Instructions on the reverse before completing)

1. REPORT NO. EPA-340/1-77-023	2.	3. RECIPIENT'S ACCESSION NO. PB275436
4. TITLE AND SUBTITLE Major Financial Assistance Programs Available for Industrial Pollution Control Expenditures-Federal and EPA Region III State Programs		5. REPORT DATE June 1, 1977
		6. PERFORMING ORGANIZATION CODE
7. AUTHOR(S) Charles R. Marshall		8. PERFORMING ORGANIZATION REPORT NO.
9. PERFORMING ORGANIZATION NAME AND ADDRESS JACA CORP. 506 Bethlehem Pike Ft. Washington, Pa. 19034		10. PROGRAM ELEMENT NO.
		11. CONTRACT/GRANT NO. 68-01-3154
12. SPONSORING AGENCY NAME AND ADDRESS Environmental Protection Agency Region III 6th and Walnut Streets Philadelphia, Pa. 19107		13. TYPE OF REPORT AND PERIOD COVERED Final
		14. SPONSORING AGENCY CODE 9AE/[illegible]

15. SUPPLEMENTARY NOTES

Prepared for Fred Knapp, Project Officer

16. ABSTRACT

The industrial and farming sectors in the EPA's Region III have recourse to many federal and state programs aimed at reducing pollution control expenditures. The federal programs provide more significant cost reductions than the state programs. The mining and manufacturing sectors have recourse to four federal financing programs that provide low interest, long term loans, including Industrial Development Administration loans and two specially funding Small Business Administration programs. The farm sector has recourse to five pollution control programs, namely those of the Farmers Home Administration and the Small Business Administration.

In addition to financing, all existing businesses may amortize pollution control equipment rapidly for federal income tax purposes. However, rapid amortization is only attractive for equipment with a useful life greater than 12 years and where their own discount rate exceeds 10 percent.

Businesses that have their wastewaters treated by a publicly owned treatment works have an additional benefit of the absence of an interest cost for at least 75 percent of the construction costs of the works.

All end-of-line pollution control equipment is eligible for federal and state programs, however, several programs exclude process changes.

The diversity of assistance programs for pollution control is even greater at the state level.

17. KEY WORDS AND DOCUMENT ANALYSIS

a. DESCRIPTORS	b. IDENTIFIERS/OPEN ENDED TERMS	c. COSATI Field/Group
Rapid Amortization Small Business Administration Industrial Development Bonds User Charges Industrial Cost Recovery Farmers Home Administration Economic Development Administration Financing Depreciation Pollution Control Certification		

18. DISTRIBUTION STATEMENT Release Unlimited	19. SECURITY CLASS *(This Report)*	21. NO. OF PAGES 228
	20. SECURITY CLASS *(This page)*	22. PRICE PC A11 - A01

EPA Form 2220-1 (9-73)

☆ U.S. GOVERNMENT PRINTING OFFICE: 1977— 720-335/6020

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AVAILABLE FOR
INDUSTRIAL POLLUTION CONTROL EXPENDITURES
-FEDERAL AND EPA REGION III STATE PROGRAMS-

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SUMMARY

The industrial and farming sectors in the Environmental Protection Agency's Region III have recourse to many federal and state programs aimed at reducing pollution control expenditures. The federal programs generally provide more significant cost reductions than the state programs. Federal programs include long-term low interest rate loans and accelerated depreciation for pollution control equipment. The savings from these programs are generally greater than the savings from the most common state programs of Region III, such as sales and property tax exemptions and accelerated depreciation for state corporate income taxes.

The mining and manufacturing sectors have recourse to four federal financing programs that provide low interest, long term loans. One program, Industrial Development Bonds (IDBs) is widely available; there are no budget limitations but it is primarily available to larger, strong-credit businesses. An Economic Development Administration (EDA) loan program is occassionally available for large businesses with marginal credit positions. For small businesses that are substantially injured by pollution control requirements, there are two Small Business Administration (SBA) programs that provide long term, low interest rate loans. These SBA programs are much more widely available in terms of funding than traditional SBA regular loan programs. Businesses that may not be included in any of the three programs are those with moderate credit positions.

The family farm sector has recourse to several loan programs, namely those of the Farmers Home Administration (there are 5) and the Small Business Administration for pollution control loans. The corporate farm sector only

has recourse to one Farmers Home Administration (FmHA)loan program but can use SBA and IDB programs. FmHA programs are also characterized by limited funds.

In addition to financing, all existing businesses may amortize pollution control equipment rapidly for federal income tax purposes. However, rapid amortization is only attractive for equipment with a useful life greater than twelve years and where the discount rate (when using present value analyses) is greater than 10 percent.

Businesses that have their wastewaters treated by a publicly owned treatment works have an additional benefit that reduces pollution control costs. Their proportionate share of treatment cost is reduced by the absence of an interest cost for at least 75 percent of the construction costs of the works.

Federal and state financial assistance programs are generally available for the different types of pollution control, i.e. air, water and solid waste. The SBA programs, however, are presently only for controls that were pursuant to the more recently imposed federal laws such as the Clean Air Act of 1970 and Federal Water Pollution Control Act Amendments of 1972. Requirements imposed solely at the local level, such as noise control, are not eligible for SBA assistance.

All end-of-line pollution control equipment is eligible for federal and state programs. However, several programs exclude process changes from eligibility. The definition of pollution control as it relates to process changes is most restricted for IDB, while SBA appears to be the most inclusive.

The use of many federal and state financial programs for pollution control is predicated on the user obtaining certification from a control agency that the equipment is necessary and adequate. There is a formalized EPA certification procedure for SBA assistance and rapid amortization, and there are informal certification procedures for IDBs, FmHA loans and many of the state programs.

The differences in the above summarized federal programs stem largely from the different agencies responsible for the programs and from the different legislation that mandated the programs.

The diversity of assistance programs for pollution control is even greater at the state level because the programs offered differ from state-to-state. The differences in programs among states is shown in Table I where ten state programs exist but five of them have three or less states participating and where only one program is offered by all five states. The table also includes the various federal programs.

One of the most common state assistance programs is IDBs which even though federally created, must be further provided for by state legislation. Other programs fairly common to the states of Region III are sales and property tax exemptions and accelerated depreciation for state income tax purposes. Common also are the state grant programs which pay for portions of publicly owned treatment works on top of what the federal government pays. In addition, in EPA Region III there is a small water and wastewater federal grants program under the Appalachian Regional Commission which is administered by the states for those parts of Appalachia within their state.

FEDERAL AND EPA REGION III STATE FINANCIAL ASSISTANCE PROGRAMS FOR INDUSTRIAL POLLUTION CONTROL EXPENDITURES

	Federal Programs							State Programs									
	Industrial Financing					Tax	Municipal	Indus. Finan.	Tax Exemptions/Deductions							Municipal	
	Industrial Development Bonds[1]	SBA Loans	SBA Lease Guarantees	Economic Development Adm. Loans	Farmers Home Adm. Loans	Rapid Amortization	Industrial Cost Recovery	State Financing Authorities	Sales Tax Exemption	Real Property Tax Exemption	Personal Property Tax Exemption	Accelerated Depreciation	Franchise Tax Exemption	Capital Stock Tax Exemption	Tax Credit for Business & Occupational Tax	Wastewater Treatment Grants (% of total cost)	Appalachian Regional Commission
Delaware	•[2]	•	•	•	•	•	•		•[4]	•	•	•[7]				10%	
Maryland	• $90k	•	•	•	•	•	•	•[3]	•[5]		•					12.5%[9]	•
Pennsylvania	• $25k	•	•	•	•	•	•		•			•[7]	•	•		5%[10]	•
Virginia	• NK	•	•	•	•	•	•		•[4]	•[6]	•[6]	•[7]					•
West Virginia	• NK	•	•	•	•	•	•		•[4]	•	•	•[8]			•	5%[11]	•

NK Not Known (records not centrally kept)

(1) Numbers refer to the smallest known private placements
(2) None transacted yet
(3) Agency can conduct control for fee
(4) No state sales tax
(5) One-half normal sales tax
(6) At discretion of county
(7) 60 month
(8) One year
(9) Md. can loan an additional 12.5% under certain circumstances
(10) Only to low income areas
(11) Can grant an additional 15% to low income areas

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I. INTRODUCTION

The industrial sector has become a focal point of this nation's efforts to control pollution. To carry out this task industry must commit large sums of money. There are instances where the commitment to such expenditures poses problems for industry sectors or individual companies. To alleviate some of the problems, Federal and Region III governments are assisting industry by providing various tax and financing programs for pollution control. The programs vary considerably in regards to eligible equipment, size users, dollar amounts, and administering agencies.

All pollution control programs that affect industry, including agriculture and utilities in Region III U.S. Environmental Protection Agency will be described. Such programs include federal programs as well as state programs within Region III (Delaware, Maryland, Pennsylvania, Virginia, West Virginia).

Background

Pollution control expenditures by industry are large. Their size can be demonstrated by examining data representing past levels of expenditure and projections for future expenditures.

Pollution control expenditures are often expressed in terms of initial cost, i.e., capital expenditures. The magnitude of such capital expenditures for pollution control by industry can be highlighted by a comparison of national pollution control capital expenditures to national totals for all other capital expenditures by industry. The Department of Commerce reports the following figures for industrial capital expenditures for new plant and equipment and pollution control.

Table II

INDUSTRIAL CAPITAL AND POLLUTION CONTROL EXPENDITURES

(billions of dollars)

	1973	1974	1975	1976e
Industrial Capital Expenditures, Including Pollution Control[1]	$100.08	$111.92	$113.49	$119.69
Pollution Control				
Air	3.18	3.34	3.79	3.86
Water	1.76	1.88	2.36	3.04
Solid Waste	N.A.	.40	.40	.44
Total	$ 4.94	$ 5.62	$ 6.55	$ 7.34
% of Industrial Capital Expenditures	4.9	5.0	5.8	6.1
Pollution Control Operating and Maintenance Costs[2,3]	N.A.	3.10	3.66	N.A.
Total Pollution Control Expenditures	N.A.	8.72	10.21	N.A.

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e - estimated
N.A. - not available

[1] Segel, Frank W. and Gary L. Rutledge. "Capital Expenditures by Business for Air, Water and Solid Waste Pollution Abatement," Survey of Current Business. Department of Commerece. July, 1976.

[2] Bureau of Census

[3] Excludes annual depreciation for capital expenditures

A level of 6.1 percent of all industrial capital expenditures spent on pollution control ($7.34 billion - 1976) is significant. The 6.1 percent level is an average of all industries and does not reveal the variation within industries and companies. In several industries (paper, stone, clay and glass, steel blast furnaces, petroleum, chemicals, electric utilities and electrical machinery) the percentage of total capital expenditures represented by pollution control ranges from 7-17 percent. In one industry, nonferrous metals, the percentage is 24. At the company level, many expenditures represent over 60 percent of capital expenditures, and in some instances over 50 percent of total asset value. As another indicator of its significance, the increase in pollution control capital expenditures from 1973 - 1976 ($2.4 billion) represents 12.2 percent of the growth in total capital expenditures over the same period.

Not to be overlooked when discussing total pollution control costs are annual costs for operating and maintaining pollution control systems. The next to last line of figures on Table II presents those levels of expenditures. The figures show that yearly annual operating and maintenance costs are approximately 55% of the annual capital costs.

Looking to the future, the Council on Environmental Quality (CEQ) reports two sets of estimates of industrial pollution control expenditures for the period 1975-1984. One set estimates the incremental pollution control expenditures to achieve more stringent levels of control. The second, and larger, set estimates total pollution control expenditures, including those made before and after the recent major pollution control laws. Both of these sets of CEQ cost estimates contain operating and maintenance costs. The figures for industry are:

Table III

INDUSTRIAL POLLUTION CONTROL EXPENDITURES, 1975-1984

(billions of 1975 dollars)

	Incremental	Total
Industrial Pollution Control Expenditures	$ 154.5	$ 247.5
Air	77.8	116.3
Water	68.6	90.4
Solid Waste	4.5	37.2
Radiation	.2	.2
Noise	3.4	3.4
Average Yearly Industrial Pollution Control Expenditures		
Total	15.45	24.75
Air, Water and Solid Waste	15.09	24.43

The CEQ data shows that the average incremental annual industrial pollution control expenditures, including operating and maintenance, is expected to be 15.45 billion. This figure is above the Department of Commerce's 1975 data which shows costs of $10 billion, which include Bureau of Census Operating and Maintenance costs which, however, might be low by $3 billion.*

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*- The Bureau of Census samples pollution control expenditures whereas the Department of Commerce samples and then projects expenditures to the entire industry. Both Commerce and Census survey pollution control capital costs but only Census surveys O&M costs. Based on the ratio of Census capital costs ($3.4 billion) to Commerce capital costs ($6.55 billion), the Census O&M cost ($3.66 billion) would increase $3.0 billion to $6.6 billion.

Industry bears the initial weight of all the pollution control costs. However, these costs can then be distributed in three ways, or combinations thereof.

- Industry may reduce its profits which, because of the tax structure, results in the owners bearing approximately 50% of the costs and government 50%
- Industry may pass along the costs to the consumers of its products who again may share the expense with government because of the income tax structure
- The government may bear still more of the costs by subsidizing the industrial expenditures with programs that either reduce the amount of the initial costs borne, or by reimbursing the company through the tax structure for those costs.

This manual covers the latter instance in which government bears some of the costs for pollution control, in particular. The first two means of cost distribution also involve the government but they are available for industrial expenditures of any type whether pollution control or not.

EPA's Role in Informing Firms of Assistance Programs

EPA is not required to inform any company, impacted or not, of pollution control financial assistance programs. EPA does not even have the lead administrative role for any of the financial programs that will subsequently be described. Moreover, no single government agency has the administrative role for all the programs. EPA's major role in financial assistance programs is to certify to other agencies that the equipment under consideration is necessary and/or adequate.

However, EPA, in acknowledging its concern for the companies economically impacted by EPA regulations, has named an SBA program coordinator (Sheldon Sacks, Small Business Section, Water Planning Division - WH-454, Rm. 801 East Tower, 401 M Street, S.W., Washington, D.C. 20460; 202-755-6023). He has responsibility for coordinating EPA's role with SBA programs, both under water pollution control loan programs and general compliance loan programs. A publication, Loans to Small Businesses Under the Federal Water Pollution Control Act, is available from his office.

Another report entitled Choosing Optimum Financial Strategies - Pollution Control Systems written by JACA Corp. is available upon request from EPA's Environmental Research Information Center, Cincinnati, Ohio 45268. The report performs net present value analyses for the federal programs herein described except for Economic Development Administration and Farmers Home Administration Loans.

Financial Program Description Format

Each financial program in the federal section will be described by a standard format. The state program format will be somewhat abbreviated. The use of such a format insures complete coverage of the important descriptive elements of each program. The format also facilitates the highlighting of differences and similarities in the financial programs. The format elements are listed below, accompanied by a definition.

Benefit of the Program

This quantifies, where possible, the user's cost reduction and other benefits permitted by the financial program. The description does not attempt to determine nationwide benefits, although national usage figures are sometimes given for specific programs.

Eligible Program Users

This element describes who can legally use the program. In some programs, costs or other economic factors preclude some otherwise eligible companies from using the program. Such exclusions will be covered.

Eligible Pollution Control Programs

This element describes which pollution control programs, i.e., air, water, solid waste, etc. are covered by the financial program.

Eligible Pollution Control Expenditures

In essence, this characteristic defines pollution control for each of the above eligible pollution control programs. The eligibility of process changes, the effect of by-product recovery and heat recovery are defined according to their eligibility for the financial program. Identifiable waste treatment and end-of-line control equipment is clearly eligible under all the financial programs herein described and is therefore not mentioned in each description. The discussion of eligibility often centers on equipment which controls pollution and at the same time enhances a process or equipment which prevents pollutants from being generated.

Operating and maintenance costs are not eligible for any of the financial programs discussed herein. (Some argue that the ineligibility of these expenses creates an improper bias to capital intensive pollution control measures. It is not the intent of this manual, however, to enter such discussions).

Availability of Funds

The funding limits, if any, of the pollution control financial programs will be described.

Duration of Program

The time limitations, if any, of financial programs will be described. Time limitations may refer to when the pollution control expenditures are made, or for what age plant, or when the program funding expires.

Utilizing the Program

Most of the financial programs described herein must be applied for by the recipient. (The one exception is industrial cost recovery). Since there are many ways to gain access to the benefits of the financial programs the description will be divided into four parts:

1. Certification of pollution control expenditures
2. Other documentation
3. Procedures
4. Costs

1. Certification of Pollution Control Expenditures

Frequently, the agency that administers a financial program does not have the technical expertise to analyze pollution control expenditures for their adequacy to do the job, necessity to meet regulations, or their inclusion of ineligible equipment. Therefore, certification by the regulatory agency is often required before an applicant can utilize the financial program. Certification, in essence, determines that the expenditure is eligible for the financial program. Certification documentation and procedures will be described in this part of the format.

2. Other Documentation

This element of the format lists all the documents and critical information required by the agency that administers the financial program. When available, sample forms will be included plus the name, addresses, and phone numbers of key people or agencies.

3. Procedures

This description will include the sequence of steps to be followed by the applicant in applying for the financial program. When possible, copies of forms to be used for application will be included.

4. Costs

Any fees required to apply for financial programs will be described in this element. Occasions will also be described when the applicant must also pay for such efforts as title searches, bond council, collateral assessments and so forth. The manual will not, however, attempt to describe the labor costs for the applicant to complete the application process.

Other Elements

This will cover such topics as accounting, and miscellaneous rules, procedures or information regarding the financial program.

Legislative Reference

For those users of this manual who need more precise legal information, this part of the format will provide the legal citations for the financial program.

II. FEDERAL FINANCIAL PROGRAMS FOR POLLUTION CONTROL

Federal financial programs for pollution control can be characterized as diverse and fragmented. Most programs were created over a span of eleven years from 1965 to 1976, though the Farmers Home Administration loans have their origins in the 1930's before soil erosion control was called "non-point source water pollution control" as it is today.

Because the laws creating the programs have arisen from different Congressional committees and out of different objectives, there is no single federal authority which has jurisdiction over all the programs, and no attempt has been made to see that everyone's pollution control expenditures are covered by at least one program.

Yet, many federal programs have emerged and they do touch many companies and many types of expenditures. Seven such programs which cover industrial expenditures will be covered in this section. They all provide industry's pollution control expenditures with benefits not available to other manufacturing equipment. The seven programs, along with the dates after which pollution control was eligible, are:

- Rapid Amortization (1969)
- Industrial Development Bonds (1968)
- Small Business Administration Direct Compliance (1972)[1]

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[1] SBA loans for companies required to comply with such laws as the Wholesome Meat Act and Occupational Safety and Health Act were passed earlier; 1972 was the first date when loans could be made for compliance with EPA programs.

- Small Business Administration Lease Guarantees (1976)
- Economic Development Administration Programs (1965)
- Farmers Home Administration and SBA Loans to farmers (1930's)
- Industrial Cost Recovery Systems (1972).

Rapid Amortization of Pollution Control Equipment

Rapid amortization is a method for more swiftly recovering the cost of pollution control equipment through depreciation than what would otherwise be allowed. It was established in 1969 when the investment tax credit for all new equipment purchases was being repealed. In fact, one of the reasons for granting pollution control equipment a special program was that the general tax credit was being removed.

> The repeal of the investment tax credit, therefore, would have an undesirable effect on the efforts made by private industry to combat pollution were not another type of incentive to be made available.[2]

Although the investment taxt credit was reinstituted in 1971, rapid amortization was not terminated. The investment tax credit was not allowed, however, for pollution control equipment on which rapid amortization was to be the method of expensing the equipment cost. The effect of this was to make rapid amortization unattractive from that point on except for a relatively small number of situations.

The original termination date of January 1, 1975 was extended to January 1, 1976[3], without changing other provisions of rapid amortization.

However, changes were made by PL94-455, October 41, 1976 when Congress both extended and enhanced the rapid amortization of pollution control equipment. These changes as well as past provisions of rapid amortization will be included in the following discussion.

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[2] General Explanation of the Tax Reform Act of 1969, H.R. 13270, 91st Congress PL 91-172 prepared by the staff of The Joint Committee on Internal Revenue Taxation, December 3, 1970, p.208.

[3] PL 93-625, January 31, 1975.

1. Benefits of Rapid Amortization

Prior to the Congressional changes of 1976, rapid amortization was used in relatively few situations, and therefore, was of little benefit to industry. The reason for its lack of used was the mutual exclusivity of rapid amortization and the more beneficial investment tax credit. The value of the investment tax credit is largely attributable to its being an absolute reduction in taxes rather than an acceleration of deductions.

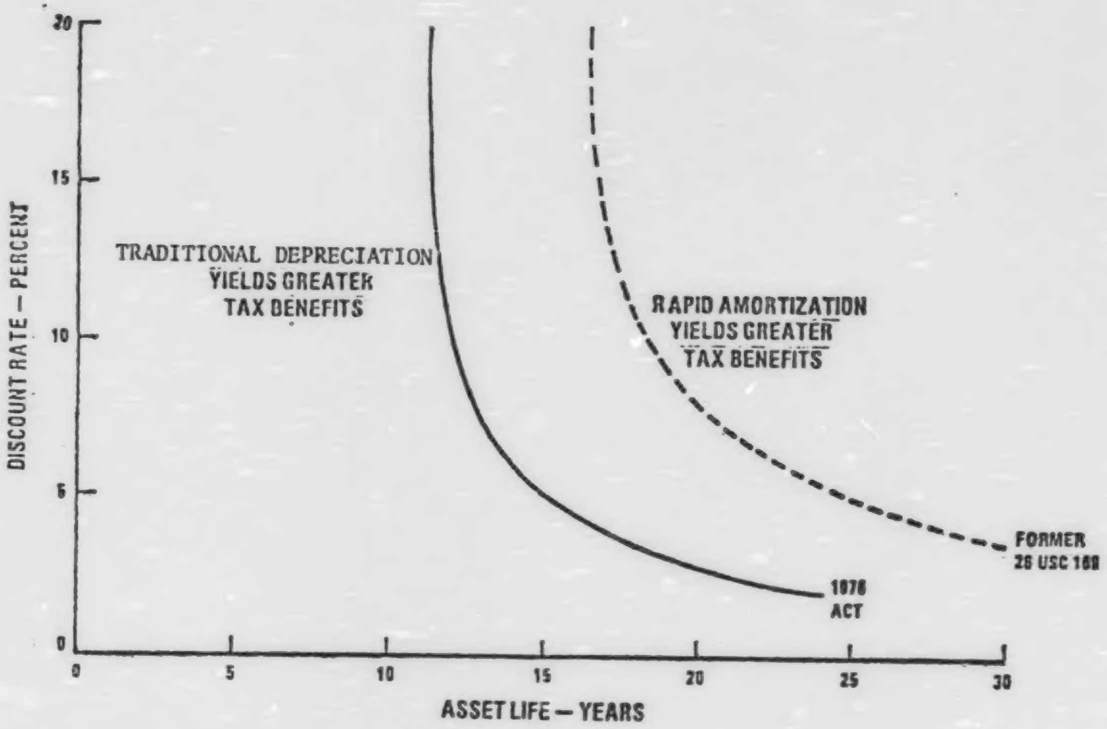
The period of rapid amortization is 60 months for the value associated with the first fifteen years of useful life of the equipment. For example, consider equipment with a 20 year useful life. The value for the first fifteen years, i.e. three-fourths can be rapidly amortized. The remaining one-fourth has to be depreciated by a traditional method; however, the depreciation on the remainder begins in the first year, not the 16th.

The recent Congressional provision permits one-half the investment tax credit (i.e., 5 percent)with rapid amortization. As a result rapid amortization is more attractive to industry than heretofore though not universally so. Using net present value analysis, it can be shown that rapid amortization is attractive only at very high discount rates or when the equipment would otherwise have a useful life greater than twelve years.

Figure 1 is a plot of sets of conditions that separate the attractiveness

Figure 1

INDIFFERENCE CURVE FOR AMORTIZATION OPTIONS
UNDER THE TAX REFORM ACT OF 1976 AND FORMER 26 USC 169:
TRADITIONAL VS. RAPID AMORTIZATION



NOTE:
BOTH CURVES ARE BASED ON A 10% INVESTMENT TAX CREDIT.

Source: Economic Analysis Division, Office of Planning and Evaluation, Environmental Protection Agency.

of rapid amortization and the most accelerated traditional way of depreciating equipment (double-declining balance in the first year taken with the investment tax credit and sum-of-the-years digits for the remaining years of useful life). As the solid line of the graph shows, at the generally high discount rate of 15 percent, the useful life of the equipment must be approximately eleven and one-half years before rapid amortization is attractive (seventeen years under former conditions as shown by the broken line). At a 10 percent discount rate, rapid amortization is attractive after 15 years. The solid line separates the attractiveness of rapid amortization and traditional appreciation for current conditions as a result of the Tax Reform Act of 1976. The broken line shows where that line of separation was under former conditions.

2. Eligibile Program Users

Any company is eligible to use rapid amortization.

3. Eligible Pollution Control Programs

Air and water pollution programs are definitely eligible for rapid amortization. Solid waste pollution, to the extent it is connected with air or water pollution control, is also eligible. The statute allows "depreciable property used to abate or control water or atmospheric pollution or contamination by removing, altering, disposing, storing or preventing the creation or emission of".

4. Eligible Pollution Control Expenditures

Expenditures eligible for rapid amortization must be made for a plant that was in operation prior to December 31, 1975. Therefore the intent of rapid amortization is to assist existing plants.

The costs of a treatment facility that serves parts of a plant constructed after 1975 as well as parts constructed prior to or during 1975 must be apportioned appropriately, for rapid amortization purposes. Likewise, costs must be apportioned for equipment which both controls pollution and performs another function.

The investment tax credit provision is for expenditures that occur after December 31, 1976.

Process changes which include changes that avoid the creation or emission of pollutants are now eligible for rapid amortization. The eligibility of process changes is recent, i.e., January 1, 1976. Formerly, only end-of-line treatment techniques were acceptable.

A process change is eligible as long as it "does not significantly [greater than 5 percent] increase the output or capacity, extend the useful life, or reduce the total operating costs of such plant or other property" or "alter the nature of the manufacturing or production process or facility".

Allowing process change equipment to be eligible appears expansive, but the restrictions just quoted are significant enough to dampen the effect of this change. The restrictions are in some ways more severe than what is allowed by the IRS for industrial development bond financing. Under IDBs in those instances when the process change did extend the useful life of equipment, a fraction of the cost of the new equipment is eligible for the benefit. The fraction is determined by taking the remaining useful life of the old equipment and making a fraction by placing that over the new useful life (or capacity) and applying the fraction to the new equipment cost. In addition, a significant increase in capacity for IDBs means greater than 20 percent.

Not affected by the Tax Reform Act of 1976 was another limitation on the amounts eligible for rapid amortization. The cost of equipment otherwise eligible for rapid amortization must be reduced by the net value of products recovered by the pollution control equipment and sold to others. There is no reduction to the costs eligible for rapid amortization when the by-product recovered is returned to the process.

Net value means the sales revenue from the product minus the expense of selling and operating and maintenance expenses connected with the by-product sale. Depreciation or amortization is not considered an eligible expense to include when determining by-product recovery value.

The net value to be deducted from the cost that is rapidly amortized consists of each year's net value for the useful life of the equipment. The useful life is the shortest period authorized under Section 167 of the Internal Revenue Code.

5. Availability of Funds

There is no limit to the use of rapid amortization.

6. Duration of Rapid Amortization

Rapid amortization is now a permanent provision of the tax code. As explained earlier, the first legislation set a time limit of January 1, 1975, which was subsequently extended by additional legislation to January 1, 1976. The legislation signed in October, 1976 made rapid amortization a permanent tax program for pollution control equipment.

7. Utilizing Rapid Amortization

The steps in applying for rapid amortization are few and straightforward in relation to other financial programs.

Certification. For a company to use rapid amortization for tax purposes, it must obtain certification from the Environmental Protection Agency (EPA). In turn, the EPA must have certification from the appropriate State(unless EPA is the enforcer) that the facility is in conformity with the State program or requirements for abatement. Copies of EPA and state forms for certification are included herein as Appendix A.

Other Documentation. The applicant should determine what permits, notifications, etc. are required from the appropriate state or federal control agency. The State may not be able to certify the equipment to EPA unless the applicant has done all that is necessary to satisfy other State procedural requirements.

Procedures. The applicant or taxpayer can obtain rapid amortization certification forms from EPA Regional offices. The state certification form is part of the forms package. The applicant should submit the state form to the state for completion and forwarding to EPA. The remainder of the forms should then be completed by the applicant and submitted to EPA.

Upon EPA approval the taxpayer must attach a copy of the certified application to its tax return.

Costs. There are no costs charged by EPA for certification or any other feature of rapid amortization.

8. Other

The additional first year's depreciation of 20% of the equipment value or a maximum of $2,000 (20% x $10,000) is available with rapid amortization under certain conditions. If the deduction for rapid amortization begins in the tax year following installation of the equipment (instead of beginning the next month), then the additional first year depreciation can also be taken.

Rapid amortization can be used for pollution control equipment regardless of the depreciation methods used for other plant equipment and property.

An election can be made by the taxpayer to discontinue rapid amortization. At any time a copy of the original EPA certification should be filed with the proper notification to the IRS. Once terminated, the taxpayer can use any other depreciation method, but cannot return to rapid amortization.

9. Legislative Reference

Section 169 of the Internal Revenue Code is the regulation governing rapid amortization of pollution control facilities.

Section B

Industrial Development Bonds (IDBs)

Industrial development bonds have been used for over forty years by state, local governments, and quasi-governmental authorities (collectively called municipalities) to finance industrial projects that serve a public purpose such as increased employment. In 1968, the definition of public purpose was expanded by Congress to include industrial pollution control equipment.

From a modest beginning of $88 million in pollution control IDB financing in 1971, the amount had increased to $2.05 billion in 1976 (Table IV). In 1976 such a level of financing represented 6.1% of all municipal bonds issued and 27.9% of all pollution control capital expenditures.[1]

The above figures on pollution control IDB financing represent municipal issues publicly sold to institutional and individual investors. Additionally, IDBs are issued on a private basis to institutional buyers such as commercial banks and insurance companies. The dollar volumes of IDBs sold privately are not recorded centrally;therefore the numbers above are understated by what many consider to be significant amounts.

IDBs, pollution control or otherwise, are long-term securities which are issued in a municipality's name for the benefit of a particular company project. Typically, it is the revenue from the project which provides interest and principal repayments to the municipality which in turn pays the bondholders. Because no municipal revenues are involved, and because the municipality doesn't guarantee payment upon default, the bonds are often referred to as revenue bonds. (If the municipality itself is responsible for their bonds, they are called general obligation bonds.)

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[1] The figure for pollution control capital expenditures, $7.34 billion was based on the Department of Commerce's 1976 estimates.

Table IV

COMPARISONS OF POLLUTION CONTROL IDB FINANCING TO TOTAL MUNICIPAL BOND FINANCING AND TO TOTAL POLLUTION CONTROL CAPITAL EXPENDITURES

	1971	1972	1973	1974	1975	1976
Pollution Control IDBs (1)	$0.09	$0.57	$1.78	$1.67	$2.13	$2.05
Total Municipal Bonds (2)	24.4	23.1	22.5	22.8	29.2	33.6
% Pollution Control IDBs	.4	2.5	7.9	7.3	7.3	6.1
Total Pollution Control Capital (3) Expenditures	3.25	4.5	4.94	5.62	6.55	7.34
% Pollution Control IDBs	2.8	12.7	36.0	29.7	32.5	27.9

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(1) *Weekly Bond Buyer*

(2) Statistical Abstract of the United States

(3) 1971-1972, McGraw Hill; 1973-1976, Department of Commerce

Tax-free IDBs used for job creation purposes (i.e. industrial development) can only be issued for up to $1 million per issue, or $5 million per project. Tax-free pollution control IDBs have no such dollar limitations. The $1 million limitation for job-related IDBs is for any and every project of a company. A company can obtain up to $5 million if project capital expenditures within plus or minus three years of the IDB financing do not exceed $5 million.

Pollution control IDBs are used by the very credit-worthy corporations, which are typically large corporations. The smaller credit-worthy corporations tend to use privately placed pollution control IDBs. Many small credit-worthy companies do not have access to IDBs unless their state has a special IDB program.

The benefit of IDBs are long-term financing and interest costs that are lower than what are generally available for companies. Since interest on municipal bonds is tax free to the bondholders, the interest rates in the IDB market are lower, usually by 2-3 points, than equivalent corporate bonds.

1. Benefits of IDBs

The benefits of pollution control IDBs can be demonstrated by two financial tools, as shown in the following example analyzing a $100,000 pollution control investment. A comparison of net present value (NPV) and short-term cash flow (first 3 years after project) will be made for a tax-free and taxable long-term (18 years) bond.

	NPV	Short Term Cash Flow
6%, 18 year IDB	-$32,510	$+8,391
8%, 18 year taxable bond	-$39,343	+5,770

The NPV of the IDB is 82.6% that of the taxable bond, and the cash flow of the IDB is 1.46 times that of the taxable bond. (The cash flow is still positive after three years because of the investment tax credit and depreciation).

An additional benefit of IDBs to corporations is flexibility in principal repayments schedules. Many IDB issues for larger corporations have deferred principal payments whereby only interest is paid for the first five to eight years and then principal payments begin yearly, perhaps with the largest principal payment in the last year.

Another benefit of pollution control IDBs to corporations is the tax exemption for property whose title is in the name of the municipality.

An additional benefit of pollution control IDBs is that some proceeds of the issue can be used for other than pollution control purposes. The tax regulations require that substantially all of the proceeds of the bond issue must be used for pollution control. Substantially means 90 percent. Assuming the company can accurately estimate their pollution control needs, they can issue the bonds for 10 percent more than they need and use the excess for other purposes.

The above benefits only apply to those expenditures which the Internal Revenue Service defines as pollution control. In mid-1975, the Internal Revenue Service promulgated revised regulations which define pollution control equipment for industrial development bond financing and which allocate its costs where the equipment also performs a function other than pollution control. Wherever allocation occurs, the benefits accrue only to the pollution control portion. The allocation provision is explained below in element 4.

2. Eligible Program Users

The tax laws which permit tax-free IDBs for pollution control do not exclude any companies from using IDBs. The federal law, however, does not automatically make the program available for all companies. First, individual states must pass legislation, in accordance with IRS Section 1.103, declaring that pollution control is for a public purpose. Such a step is necessary because the tax-free bond market can only be used for projects which are declared to serve a public purpose. To date nearly all states have taken the declaratory step for pollution control projects. Washington State has not taken such a step.

Although all companies are entitled to use IDBs, the practical use of the market is limited to large and/or credit-worthy firms. A second limitation for eligible users is that the administrative costs of obtaining IDBs effectively create a minimum amount that is practical for the use of IDBs.

The vast majority of IDBs are offered for sale on the public bond market. Therefore, the name and reputation of a company is important for attracting potential investors. Large companies generally have the most well-known names and reputations. Along with the reputation, potential investors examine the credit-worthiness of the company from their own analysis, or rely upon a rating from one of the bond-rating agencies.

Smaller but nevertheless credit-worthy companies also have some access to IDBs. These transactions of IDBs are usually private placements because they are sold privately by the company to one or more banks or insurance companies without going through a public market. Private placement has the advantage of lower administrative costs.

Publicly placed IDBs involve large pollution control expenditures because the interest expense saved by using an IDB must be significant enough to be greater than the administrative costs of IDBs, such as bond council and printing costs. Of the 720 publicly placed bond issues from 1971 through 1976, only 6 (or 1%)were $500,000 or less, and 33 (or 5%) were $1,000,000 or less. The dollar average publicly placed pollution control issue for the last three years has been:

1974	$14,583,982
1975	$11,057,689
1976	$12,238,770

Privately placed IDB issues are in substantially smaller dollar amounts. In some states the amounts can be as small as $25,000 - $50,000 though they are typically greater than $100,000. The lower ceiling for private placements is often a function of the size of the fee charged by the municipality for approving an IDB.

3. Eligible Pollution Control Programs

Air, water, and solid waste pollution control expenditures are eligible for IDBs. Occupational Safety and Health expenditures are not. The definition of air pollution includes radioactive materials control.

4. Eligible Pollution Control Expenditures

IDB financing can be used for end-of-line pollution control equipment and for process changes which control pollution, to the extent that they do not serve other purposes. Regulations pertinent to eligible expenditures are listed below, several followed by examples:

- "The property must in whole, or in part, abate or control water or atmospheric pollution or contamination by removing, altering, disposing or storing pollutants, contaminants, waste or heat." The term pollutant only applies to materials or heat discharges which definitely result in water or atmospheric contamination. This definition excludes "the release of materials or heat which would endanger the employees. . . in which such property is used," as determined, for example, under the OSHA program.
- The property must be "of a character subject to allowance for depreciation . . . or land."
- "The jurisdictional agency must certify that the facility, as designed, is in furtherance of the purpose of abating or controlling pollutants, or the facility will meet or exceed the appropriate regulations in effect at the time of issuance."
- Property does not qualify if it is used to avoid the creation of pollutants. For example, the installation of a new boiler which reduces pollution by more efficient combustion than the replaced boiler does not qualify. Likewise, equipment that removes potentially polluting sulfur from fuel does not qualify. However, equipment which handles or treats the removed sulfur does qualify.

- Property does not qualify if it processes material or heat that was a pollutant, but is not upon reaching the process in question. The property must be "a unit which is discrete and which performs . . . one or more of the (pollution control) functions. . . and which cannot be further reduced in size without losing one of such characteristics." For example, consider pollutants converted in a first step to a nonpollutant chemical which is subsequently processed to make it saleable. The equipment of the first step qualifies; equipment in the subsequent steps does not qualify. The equipment in the first step is the smallest unit of property which functions to control pollution. In addition, by the time the material reaches subsequent steps it is no longer a pollutant.
- Property also does not qualify if the polluting materials were customarily controlled for other reasons. For example, a water system which discharges heat from cooling a turbine does not qualify since turbines require cooling to operate at peak efficiencies.

In addition to the above tests, an exempt issue requires that 90 percent or more of the proceeds must be used for pollution control equipment. Therefore, up to 111 percent of the pollution control costs, if exactly known, may be borrowed.

The second major component of the regulations concerns the allocation of property costs which control pollution and those which serve a purpose other than the control of pollution, such as a process change. Allocations are necessary since it is only the cost of the pollution control portion which qualifies for the financing. The following ratio should be applied to the property cost to determine what costs do not qualify:

$$\frac{Y}{C + E}$$

where Y = present value of estimated economic benefits to be realized over the life of the equipment, such as "gross income or cost savings resulting from any increase in productivity or capacity, production efficiencies, the production of a byproduct, the extension of the useful life of other property. . . (and) savings resulting from the use, reuse, or recycling of items recovered."

C = present value of payments (excluding interest and minus salvage value)for acquiring the property, i.e., capital costs.

E = present value of all expenses, including interest, incurred during the operation of property.

Present values as an IRS rule are computed using a 12-1/2 percent discount rate.

5. Availability of Funds

For those eligible to use IDBs and who have the credit status and size expenditures generally required, IDBs are generally available. The federal statutes for IDBs do not set any budgetary or time limits. However, a possible source of concern regarding availability is in the IDB bond buying market. In this regard, two observations are pertinent:

- Some normal buyers of IDBs, such as, commercial banks and insurance companies have limits on the extent of tax-exempt income they can receive

- Criticism that IDBs drive up the cost of other municipal borrowing could bring future legislation.

The implication of the first statement on IDB availability is that a company may on occasion not be able to use their primary bank as an IDB financing source. The company may then have to approach other banks perhaps not as familiar with a company's financial position. The implication of the second statement is not real at this time, in that it is only a threat that Congress could take away the IDB privilege for corporate pollution control expenditures. A report by the Twentieth Century Fund Task Force on the Municipal Bond Market concluded that pollution control IDBs have increased municipal borrowing costs by 10-20 basis points. This increase for the entire bond market means municipalities are paying an additional $30-60 million in interest costs on other more traditional uses of bonds (for schools, sewers, parks, etc.).

6. Duration of IDBs

There are no time limits by which IDBs have to be issued before benefit expires. However, as just indicated, pressures could develop in the future to eliminate the tax-free privilege for corporate pollution control expenditures, because of the effect of IDBs on municipal borrowing costs.

7. Utilizing IDBs

The steps that a corporation takes in obtaining IDBs are several, many of which are quite complex. The costs of these steps can also be substantial, as witnessed by the statistics given earlier concerning minimum size issues.

A type of certification is required for the bond buyers of pollution control IDBs. In addition, an investment banker must be obtained to sell publicly placed IDBs. An agreement also has to be established with the municipality for the bond issuance. Frequently, the municipality will require certification from the appropriate control agency before an agreement is written with the company.

Certification. A pollution control IDB must be certified as being for pollution control equipment, eligible for tax-free financing. Independent bond councils provide such certifications. Internal Revenue Service regulations specify that:

> property is a pollution control facility if...either (A) a Federal, State or local agency exercising jurisdiction has certified that the facility, as designed, is in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants, or water pollution as the case may be, or (B) the facility is designed to meet or exceed applicable Federal, State or local requirements for the control of atmospheric contaminants, or water pollution, as the case may be, in effect at the time the obligations, the proceeds of which are to be used to provide such facilities, are issued.

Certification is in the form of a statement to the bondholders that their interest income will be tax-free. This statement is usually made by a law firm, serving as the bond council. The bond council can make this statement with or without obtaining a specific IRS ruling on the issue. To make a statement without a ruling requires that bond council is assured, from its knowledge of all applicable regulations, that the interest income is tax-free. Should this not be the case, after the issue is sold, the corporation is responsible for compensating bondholders for the taxes paid.

For the majority of pollution control IDBs, bond council obtains a ruling from IRS. This is especially appropriate when process changes are part of the pollution control plan or when some economic benefits (perhaps by-product recovery) occur in the project. As explained earlier, complicated formulae exist for apportioning the cost of equipment for IDB purposes where the equipment serves a purpose other than pollution control. Certification is required for issues either publicly or privately placed.

Other documents. It is common for a municipality to require that an agreement, referred to as a bond resolution, be adopted between it and the benefiting company. The nature of this agreement is to specify the amounts involved, the purposes, approval for issue by the municipality, the liabilities and obligations of each party, etc. Bond resolutions are required for publicly or privately placed issues.

One of the key aspects of the bond resolution is the type of financial transaction that exists between the company and the municipal authority.

The interest and principal repayment schedule utilized by the borrower is often similar to many bond indentures. That is, equal interest payments are paid each year, but the borrower pays different amounts of principal into a type of sinking fund during the life of the financing. The sinking fund plus earned interest is used as the repayment source at the end of the term of the financing. As is typical in most situations, there is a lien on the property being financed and/or a guarantee by the borrower.

At the end of the financing period, the borrower purchases the facility from the authority at nominal consideration, which must be less than fair market value. The borrower is treated as the owner for tax purposes during the financing period, even though legal title is in the authority. The borrower can take depreciation and investment tax credits.

It is also possible for the relationship between the governmental authority and the industry to be structured as an ordinary financing lease, with lease payments deducted by the business as rental payments. In this case, the lessee does not have the privilege of taking depreciation and the investment tax credit. The payments would be even over the lease life. The authority retains title at the end of the financing. This relationship does not occur often because of difficulty in meeting true lease tests, which require that a certain percentage of value remain at the end of the lease and that the equipment be capable of being sold to someone else.

Another possibility is to establish the relationship as an installment sale with title going to the buyer at the end of the installment period. This system would have equal payments and allow the purchaser to take depreciation and the investment tax credit.

The last method is for the government agency to issue a bond, the proceeds of which are reloaned to several companies. Each company negotiates its own terms and signs a loan agreement or note. The borrower is entitled to depreciation and the investment tax credit.

Procedures. Step-by-step procedures do not exist for obtaining IDBs. However, certain steps must be performed before others. Certification of equipment by the appropriate pollution control agency will be a likely step before the bond council's statement can be made or before a bond resolution could be established with the municipality. While these steps are taking place, the company may wish to determine whether they will undertake a public or private issue. A private issue with a bank, for example, has the disadvantage of being for a shorter period than that that is likely under a public issue. On the other hand, it has an advantage for a company of reserving use of the public market for equity issues, perhaps of larger amounts.

Costs. Earlier it was mentioned that the total costs included in publicly placed IDBs were large enough to require expenditures typically greater than $500,000. It is at this level and above that the interest savings are greater than the administrative costs. The expenditures amount is typically less for privately placed issues.

The categories of costs encountered are as follows:

- legal costs of bond resolutions
- legal costs of bond council
- certification costs
- legal and administrative costs for developing a prospectus/official statement for a public issue
- bond printing costs for a public issue
- sales costs for a public issue.

8. Legislative Reference

All federal regulations pertaining to pollution control IDBs are contained in IRS regulations, Section 103(c). Each of the 49 states that allow pollution control IDBs has its own regulations with which a company needs to be familar. In addition, the municipality with which a company is working likely has another set of applicable regulations.

Section C

SMALL BUSINESS ADMINISTRATION DIRECT COMPLIANCE LOANS

The Small Business Administration (SBA) has been granted specific lending authority by Congress for making pollution control loans to eligible small businesses. These loans will be referred to here as compliance loans. Qualifying under such loans are air, water and solid waste programs in addition to OSHA, Mine Safety and wholesome food programs (i.e. eggs, meat and dairy). Process changes and end-of-line controls are eligible for these loans. Eligible companies must meet SBA's small business size limit requirements and must be likely to suffer substantial economic injury from compliance without such assistance.

The special characteristics of SBA's compliance loan program are that 1) the funds come from SBA's disaster loan program, 2) more direct loans are available, and 3) the loans can be for longer terms than other SBA loans. These characteristics must be clearly understood because it is also possible that companies could get pollution control financing under the less favorable traditional programs of SBA.

SBA has always provided loans to businesses if such loans were not available through normal banking channels and if the applicant met SBA business size and risk requirements. Such funds are provided in three ways: by the SBA guaranteeing a portion up to 90 percent of a bank loan; by participation, in which case the SBA provides a part of the funds and the rest is provided by the bank; and by direct loans, in which case the SBA provides funds on a direct loan basis. All of these so-called regular business loans have typical repayment periods of up to 15 years. Direct loans have considerably lower rates than the participation rate or the guaranteed rate; however, such direct loans are frequently not available.

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Thus the advantages of the special compliance loans are availability of more direct loans, the lower rate of direct loans, and their longer term (up to 30 years).

The authority for SBA to make air, water and solid waste pollution loans was provided by Congress in two steps.

Water Pollution Control Loans. The 1972 amendments to the Federal Water Pollution Control Act (FWPCA) legislated that $800 million to be made available under SBA to small businesses for water pollution control capital expenditures providing the company is substantially injured. The program has been operating since August 1974. An important part of the law that it is necessary for an applicant to obtain a certification from the appropriate regional office of EPA stating that the equipment is "necessary and adequate" to meet FWPCA regulations.

A Company qualifies for SBA water pollution control loans if it is a "small business concern . . . affecting additions to or alterations in the equipment, facilities (including the construction of pretreatment facilities and interceptor sewers) or methods of operation of such concern to meet water pollution control requirement . . . if such concern is likely to suffer substantial economic injury without assistance."

Compliance Loans for Other Regulations. In January 1974, the President approved legislation permitting SBA to make loans to any small business concern required to "meet requirements imposed on such a concern pursuant to any Federal law," or any state law enacted in conformity with the federal law. This legislation unified several earlier enactments (except for water pollution control) which had established specific loan programs for each regulatory program. Under the new legislation, SBA can now provide a loan to any eligible company for compliance to any federally-imposed standards (except for water pollution control) which require alterations in its plant, facilities, or methods of operation.

As to the volume of compliance loans already granted, the following statistics were provided by SBA through December 31, 1976.

	Numbers	Total Amount	Average Amount
Air Pollution Control Loans	65	$11.6 million	$178,500
Water Pollution Control Loans	51	13.7 million	268,600

It is important for companies to know that SBA does not advertise or promote compliance loans. In fact, EPA has received more certification requests for SBA loans from businesses and their Congressmen than it has from SBA. In addition, many bankers are unaware of these special compliance loans, and instances have been known where SBA loan officers in district offices did not know of these programs either. Therefore, potential borrowers should not be deterred in their search for the proper SBA person in an office in charge of these loans.

EPA initially publicized the existence of SBA loans through press releases. EPA Washington has requested the regional offices to mail notices of loan programs to all NPDES applicants, but Region III has not done so, primarily because of staff limitations that preclude prescreening the recipients for SBA size qualifications.

In Maryland, seminars were held, with SBA's help, to publicize the water loan programs (though not for air loans). In Pennsylvania, the state Commerce Department is alerted about any company in violation of environmental regulations; the department then sends the company a packet of information about financial programs, including SBA loans. There are apparently no publicity efforts undertaken in the other states of the Region.

1. Benefits of SBA Compliance Loans

The benefits to a company of direct SBA compliance loans are long repayment terms and low interest rates. Such benefits are in comparison to bank loans or in comparison to traditional SBA guaranteed loans.

Table V illustrates the benefits of SBA direct compliance loans measured by net present value (NPV) and short term cash flow impacts. The illustration covers a $100,000 pollution control expenditure. The NPV calculations included a ten year useful life, double-declining depreciation, 10 percent investment tax credit and additional first year depreciation. Short term cash flow impacts cover the first three years useful life. The NPV of the 7% 10 year SBA direct loan is 80.3% that of the 12% 10 year bank loan, and 83.9% that of the 11% 10 year SBA guaranteed loan. The short term cash flow benefits are even greater, $40.9% and 46.4% respectively.

Table V

SMALL BUSINESS ADMINISTRATION COMPLIANCE LOANS

Loan Type	NPV		Short Term Cash Flow	
	Value	% of bank loan amount	Value	% of bank Loan amount
7%, 10 year, SBA Direct Loan	-$47,460	80.3%	+$4,341	40.9%
11%, 10 year, SBA Indirect Loan	-$56,545	95.7%	+9,346	88.2%
12%, 10 year Bank Loan	-59,098	100%	+10,601	100.0%

2. Eligibile Program Users

Three elements are necessary for companies to be eligible for SBA compliance loans: 1) the company must be conforming with pollution control requirements that are pursuant to a federal law, 2) the company must meet SBA's size limit requirements, and 3) the company must be substantially injured. Further details of each element are explained below.

Concerning the first, SBA has determined that compliance with state or local regulations which were not required by federal regulations or laws is not eligible for SBA's compliance loans. Thus, a company must be doing something that can be directly traced to requirements of, for example, the Clean Air Act of 1970 or the Federal Water Pollution Control Act amendments of 1972.

Regarding size, SBA has specified limits for each Standard Industrial

Classification (SIC). The limits can be obtained from all SBA offices (Appendix C). The limits are expressed in number of employees for manufacturers and mining, and in dollar volume of sales for wholesale or retail firms. The limits are obtained from an average of a pay period in each of the previous four calendar quarters. Thus, companies with seasonally high employments are not penalized by their peak needs for employees.

SBA also has a procedure for determining number of employees when a company does business in more than one SIC and when each SIC has been assigned a different employee size limit. The percentage of total business in each SIC is multiplied by the employee size limit of its corresponding SIC. The sum of the results for each SIC are then added to find a size limit to which a company's actual level is compared.

The size limitations should definitely be checked because many companies are surprised to discover how large a "small" business is.

The showing of substantial injury (the third element of eligibility) is demonstrated by the company's inability to obtain conventional financing. Inability can mean the lack of sufficient collateral, interest rates that would cause losses for the company,or too short a repayment term. A letter of financing refusal or a letter of the best financing offer from a bank is enough to demonstrate inability to obtain financing.

3. Eligibile Pollution Control Programs

The SBA loan authority extends to all compliance programs which are created pursuant to federal law. A small business that is complying to a state law which was not required by federal law would not be eligible for loan funds from SBA's compliance loan program. The small business may, however, be eligible for a regular small business loan. (It should be kept in mind that such a loan will have shorter repayment periods and may not be as readily available as compliance loans).

An example of state laws passed where there is not corresponding federal law is noise pollution. The federal government has some noise control regulations for airplanes, motorcycles and trucks and new equipment, such as construction equipment. The federal government does not have a program for controlling what is commonly referred to as community noise, or noise across property lines from existing sources. Should a community control such noise, as a few communities have, complying small businesses would not be eligible for SBA's compliance loans.

Another example of expenditures pursuant to state law requirements which are not eligible for SBA financing occurs when the laws of aggressive states affected companies prior to the enactment of the major federal bills such as:

Clean Air Act of 1970
Federal Water Pollution Control Act of 1972
Occupational Safety and Health Act of 1970
Wholesome Meat Act of 1967
Consumer Product Safety Act of 1972
Emergency Petroleum Act of 1973

Even if the expenditures were pursuant to earlier federal laws, they are not eligible because SBA has specified particular amendments to air and water acts, thus eliminating projects from eligibility if they were in compliance with regulations that came from earlier laws.

4. Eligible Pollution Control Expenditures

Eligible compliance expenditures for air compliance programs must have occurred after January 1974 and for water pollution control after October 1972.

Process changes and end-of-line equipment that reduces or controls pollution are both eligible for SBA compliance loans. The wording of the blanket law which covers all compliance programs, other than water pollution control, specifies that it is "to assist any small business concern in effecting additions to or alterations in its plant, facilities, or methods of operation to meet requirements". Similar working is found in the Federal Water Pollution Control Act of 1972 for SBA water pollution control loans.

SBA is supposed to adjust loan amounts downward for pollution control expenditures that have economic benefits such as by-product recovery or that expand the useful life or capacity of the plant. However, the SBA does not appear to strictly follow this rule.

SBA can also provide compliance loans for working capital replenishment. This occurs when funds were spent by the company for pollution control and not previously financed in any way.

Companies that are creditworthy and have expenditure requirements greater than $250,000 may be channeled by SBA into the lease guarantee program (see Section D below).

5. Availability of Funds

The funds for all compliance loans are supplied from the SBA disaster loan pool which is separate from the source that supplies regular small business loans. The disaster loan pool funds more than compliance loans; therefore, compliance projects compete for funds with natural and economic disasters.

The fiscal 1977 disaster loan budget was $50 million.

In theory, the funds for water pollution control are supposed to be separate from and considerably larger than the disaster funds for all other compliance loans. The theoretical basis for separate funds lies in the 1972 amendments to the Federal Water Pollution Control Act. Those amendments authorized $800 million for water pollution small business loans. No legislation for the other compliance loans established such a funding mechanism. This funding situation was one of the reasons why water pollution control loans could not be consolidated with all other compliance programs and covered under one section of SBA law. However, although the $800 million was authorized, it has yet to be appropriated for SBA's use, and therefore water pollution loans actually come out of disaster loan funds.

The answer to the question of adequate availability of loan funds for complying small businesses is difficult to determine for three reasons: 1) the competition of compliance with major disasters; 2) the fact that the $800 million, although authorized for water pollution control, is not actually appropriated for SBA to use; and 3) the way in which the disaster loan funds are replenished from time to time. Regardless of these indicators, however, there is inadequate data on the demand side of the supply-demand equation for SBA compliance loans. This makes it difficult to determine whether or not the loan supply funds, although restricted, are nevertheless adequate.

6. Duration of Program

The SBA legislation for compliance loans contains no time restrictions for such loans. Practical duration seems to be most influenced by fund availability and loan demand. The disaster loan pool, from which water pollution and all other compliance loans are made, is periodically replenished by loan repayments, Congressional legislation and Office of Management and Budget control. Loan demand is very unpredictable. The interaction of two such unpredictable sides of the demand-supply equation make future duration of the compliance loan program indeterminate.

7. Utilizing SBA Compliance Loans

Obtaining an SBA loan is typically a complex and time consuming activity. Several parties can be part of an SBA loan transaction, namely, a bank, a pollution control agency, other regulatory agencies, and SBA. The procedures for SBA compliance loans take longer than those of SBA regular business loans since the latter do not involve regulatory agency approvals.

The general steps for obtaining SBA compliance loans begin with a bank turndown of a financing request.

Secondly, a company should establish with SBA that it is a small business and discuss in general terms the compliance loan program. Third, the company will be required to obtain certification from the appropriate regulatory agency(ies). Fourth, the company completes its application for SBA.

Certification. The SBA laws are very specific as to the requirement that EPA certifies water pollution control loans. The certification by EPA must say that the equipment is necessary and adequate. Certification can be provided by EPA or the state, if it has been granted certification authority by EPA.

Appendix B contains EPA's certification regulations. Instructions for EPA's certification are contained in a brochure called "Loans To Small Businesses Under The Federal Water Pollution Control Act (92-500)". This is available from Sheldon Sacks, Small Business Section, Water Planning Division-WH-454 Room 801 East Tower, 401 M Street, Washington, DC 20460 (202)755-6023.

Certification for air pollution control loans and other compliance loans is not specified by the regulation. In practice,however, SBA does require certification from the appropriate regulatory agency for these loans as will be discussed in the general certification chapter.

SBA can also require that another regulatory agency certify or comment on the control system contemplated under the loan. Consider, for example, a significant change in process to control pollution, such as an electric induction furnace replacing a cupola. SBA can ask that OSHA (Department of Labor) comment upon the worker safety of the contemplated compliance program.

SBA can also take measures to determine if the applicant is in compliance with all regulations whether or not they are related to the process subject to the application. SBA does this to anticipate additional expenditure needs of the company in assessing risk.

Most states, or EPA, will only provide certification if the company is conforming to agency procedural requirements concerning permits to construct or operate. Several states, regardless of financing, require a company to obtain a permit to construct a pollution control device before it can be bought and installed. The state agency may therefore not issue certification until the company also files the necessary papers for a permit to construct.

Other Documents. A company must show substantial injury to SBA by demonstrating that commercial financing is not available. The typical demonstration is a letter from the company's bank refusing the applicant's loan request. In more densely populated cities and regions, the applicant may have to furnish two such turndown letters. If SBA suspects that an applicant with a turndown letter has a good credit position, then SBA can go to another bank in the applicant's area and determine if they will lend money to the applicant.

The SBA loan application (Appendix D) can be quite involved for some companies to complete. It asks for the following, where appropriate:

- collateral offered as loan security
- additional guarantees of guarantors
- statements of personal history
- pro-forma financial statements
- financial statements for past 3 years
- description and history of business debt schedules
- plans, specifications and costs of pollution control equipment.

Procedures. As indicated earlier the bank's turndown of a pollution control loan request is the first step in obtaining an SBA loan. It is then suggested that the company establishes contact with an SBA officer to discuss intent for a loan. (Addresses of branch and district offices can be found in Appendix C). The loan officer should then determine whether or not the potential applicant is definitely a small business and explain the SBA appliction. The loan officer can also inform an applicant as to which SBA pollution control financing program is better for the applicant, i.e., the direct compliance loan or the lease guarantee(to be discussed in the next section).

Upon a positive determination of small business eligibility,the applicant should obtain the necessary certification letters from the appropriate regulatory agency(ies). While waiting for certification, the company should complete the application. When certification is obtained, the SBA application can be submitted.

Loans greater than $500,000 must be approved by SBA Washington headquarters. This requirement adds time to the overall approval process.

Certification from EPA, or states, for water pollution loans is required within 45 days of application. It can be expected that air pollution certification can occur within the same time period. SBA processing takes one to two months generally, but could take longer, depending upon the complexity of the loan and the completeness of the application. Approved loans that cannot be funded immediately because of budget limitations are carried into the next quarter when SBA funds are replenished.

Costs. No SBA fee structure exists for direct loans and no certification costs are assessed by the regulatory agencies. Out-of-pocket costs are incurred by the applicant to fulfill such requirements as an assessment for collateral evaluation. Some companies may also need the services of their accountant to complete the application.

One characteristics that adds considerably to loan processing time by SBA is additional requests by them for information or insufficient application information submitted by the company. Since SBA is very thorough, an applicant should discuss at the first meeting exactly what SBA wants in the application. Such a step reduces lost time and therefore costs for the potential borrower.

8. Other - Multiple Loans

Applications for loans covering more than one pollution control requirement can be made as one package. The applicant must have certification for each requirement. SBA's loan processing time for a multiple loan does not increase significantly.

9. Legislative Reference

All legal matters pertaining to SBA compliance loans are found in Sections 7(a) (5) and 7(g) of the Small Business Act.

Section D

Small Business Administration Lease Guarantees

In June, 1976 Congress provided the Small Business Administration (SBA) with a significantly different mechanism than just described for assisting small business in controlling pollution. While the former program covers loans, this new mechanism covers leases under qualified contracts. The area of pollution control financing in which leases occur most is in Industrial Development Bonds (IDBs). Therefore, this program is expected to take the form of SBA guarantees of small business payments to municipalities that issue IDBs for industrial pollution control projects.

The likelihood is that each IDB issued will cover the expenditures of several small businesses. As has been shown in section B, IDBs must be of such a magnitude that the interest savings to the company exceeds the administrative, sales and legal expenses of obtaining IDBs. This level is generally \$500,000 - \$1,000,000. It may take several small businesses' pollution control expenditures to reach those levels. Even if small businesses singularly have expenditures that exceed the minimum level, they can still benefit from this program. Their savings of interest over IDB costs will be greater if they can join a group in the financing. Secondly, if the company's name and credit reputation is not widely known they would not be able to issue an IDB unless a guarantor of sufficient credit reputation and name was also obligated in the issue.

The purpose of this legislation was to provide small businesses with access to such capital markets on equal footing with large businesses which frequently finance their pollution control facilities through tax-free IDBs. However, all small businesses will not be able to use this lease guarantee program. SBA expects that companies with financial needs greater than $250,000 could use the lease guarantee program while companies with lesser needs would use the SBA compliance loan program.

It is not necessary that a small business be involved in an IDB for SBA's guarantee to be utilized. The enabling legislation for the lease guarantee program specifies qualified contracts for the lease as "a lease, sublease, loan agreement, installment sales contract or similar instrument entered into between a small business concern and any person."

SBA is in the process of developing specific regulations for the lease guarantee program, as well as conducting a pilot program in California. The most controversial regulation is the fee that SBA will charge the company for the lease guarantee. The law permits up to 3½ % per annum of the minimum annual guaranteed payments. SBA has indicated they will probably set the fee at 3½%. Others argue that much of the benefit of this program, and therefore, the equal footing with large businesses, will be lost at that high a rate.

Other details of the program include a 25 year limit on guarantees and a 100 percent guarantee (as opposed to regular SBA guarantee programs which are 90%). In addition, applicants must have been in business five years and have a history of profitable operations on average over the last three fiscal years. These last two conditions are different from the compliance loan program.

The budget for this lease guarantee program is $15 million. The budget is not an amount to which SBA has access. It is a contingency amount for uncovered expenses and losses. SBA is designing the program to be self-sustaining and is therefore not expecting to use the budget. The budget figure does not mean any limitation on the number or amount of leases that can be guaranteed.

1. Benefits of the Program

Precise benefits cannot yet be determined for the small businesses that utilize this lease program. It is only after the program begins market operation that interest rates will become known. Estimates by bond analysts place the rate as equivalent to AAA municipal bond rates.

Regardless of the inability to as yet determine the precise benefits of this program, it can be said that a small business will gain significant benefits over conventional financing. The reader can refer to Section B.1 and C.1 (IDBs and SBA loans) to gain an idea of the range of benefits that the lease guarantee program may provide.

2. Eligible Program Users

The number of eligible small businesses for the lease guarantee program will be different from the number eligible for the compliance loan program for two reasons. The lease guarantee program has two definitions of size, either of which can be used at SBA's discretion. One definition is the same as that for compliance loans which is based upon maximum number of employees per SIC. The second definition involves dollar limitations and potentially expands the number of small businesses that could be eligible for the lease guarantee program. It states that a company is eligible if it

> together with its affiliates, is independently owned and operated, is not dominant in its field of operation, does not have assets exceeding $9 million, does not have net worth in excess of $4 million, and does not have an average net income, after Federal income taxes, for the preceding 2 years in excess of $400,000 (average net income to be computed without benefit of any carryover loss).

On the other hand, SBA has imposed eligibility criteria on this program which are intended for the more credit-worthy companies in the expanded coverage. Those criteria are that a company has to have been in business five years and must have had profitable operations on average over the last three fiscal years.

3. Eligible Pollution Control Programs

Eligible programs are the same as for SBA compliance loans.

4. Eligible Pollution Control Expenditures

Although this is an SBA program, the IDB criteria apply for determining eligible pollution control expenditures. These criteria are more restrictive than SBA's. The reader should refer to Section B.4 for the specific criteria. Should a significant portion of expected expenditures be ruled ineligible under IDB criteria, the application could be withdrawn from the lease guarantee program and placed with the direct compliance loan program.

5. Availability of Funds

SBA has a separate budget for the lease guarantee program. In theory, therefore, the funding of this program is not affected by the compliance loan programs. The fund is a revolving fund and therefore not subject to fiscal year limitations. The amount of the fund is $15,000,000 and covers losses or other expenses not recoverable in normal operations of the program.

6. Duration of Program

The enabling legislation does not contain an expiration date for the program. Its actual duration depends on the rate at which the $15,000,000 is consumed, and on the inclinations of Congress to increase the fund.

7. Utilizing the SBA Lease Guarantee

SBA has not yet promulgated regulations for the conduct of the lease guarantee program. SBA has, however, issued guidelines for the operation of the pilot lease guarantee program being conducted in California. The guidelines contain many procedures smiilar to those for direct compliance loans. The guidelines are reproduced as Appendix E.

Certification. The procedures applicable to direct compliance loans are also applicable to lease guarantees (see C.7.a).

Other Documents. The most significant difference in procedures between the two SBA pollution control financing programs is in the requirement for a bank to sponsor a company. Sponsorhip by a bank does not impose an obligation upon the bank for the company. Sponsorship is a statement of opinion from a bank that the company is creditworthy. The financial analysis of the bank must include, among other things, the composition and adequacy of the small business's fixed debt requirements, past and projected earnings, debt to worth ratio, working capital sufficiency, etc.

Procedures. A company should discuss its situation with a branch or district SBA office (addresses in Appendix C). Presuming the company has been denied financing at reasonable terms, it should then apply to EPA for certification and should concurrently obtain bank sponsorship and complete the SBA lease application. SBA can process the lease guarantee after it receives EPA's certification and bank sponsorship.

The amount of processing time for obtaining a lease guarantee is not yet documented. The time should be longer than that of a direct compliance loan since bank sponsorship is an added step and since many of the IDB steps, such as, bond resolutions and bond council rulings may be involved.

Fees. An applicant for this program pays two fees that are not incurred under the direct compliance loan program. The first fee is a guarantee fee which can be a maximum 3½ percent of the minimum annual guaranteed payments. SBA has also set a processing fee to cover administrative expenses. The fee schedule is as follows:

Amount of Contract Payments Guaranteed	Base Fee		Additional Fee
Up to $500,000	$1,000		———
$500,000 to $1,000,000	1,000	+	.002 of above $500,000
$1,000,000 to $2,500,000	2,000	+	.0015 of above $1,000,000
Over $2,500,000	4,250	+	.001 of above $2,500,000

Each application submitted to SBA must be accompanied by $500 of the above fee, which is not refundable. The remainder of the fee is payable upon request for the issuance of the guarantee.

8. Legislative Reference

Section 404 of the Small Business Investment Act contains the basic enabling legislation for this program.

Section E

Economic Development Administration Financial Programs

The Economic Development Administration (EDA) under the Federal Department of Commerce provides financial assistance to industry primarily to create and secondarily to preserve jobs. This program was created in 1965 under the Public Works and Economic Development Act. Financial assistance under various EDA programs can consist of loans, guarantees or grants. EDA does not have special authorities or budgets to make pollution control financial assistance; however, pollution control is occasionally included in some of the financial assistance programs of EDA.

There are two programs of EDA that could benefit industrial pollution control expenditures. The first program is under Title II of EDA legislation and provides direct loans or loan guarantees to industry to create jobs. If a company is threatened with closure due to pollution control, EDA can make loans or loan guarantees to preserve jobs. The other EDA program whereby industries pollution control expenditures could benefit is under Title IX. Under that program, grants are the vehicle instead of loans or guarantees, and such grants are made to communities for community-owned property. This community-owned property can consist of wastewater treatment and collection facilities which industry uses.

EDA does not aggressively seek companies for pollution control loans under Title II. EDA does,however, monitor the Environmental Protection Agency's Early Warning System that lists companies where plant closure is threatened. Under Title II when it is imminent that a company will close due to pollution control, EDA will contact the company for possible assistance. Under Title IX, EDA has a more explicit authority to seek

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to place environmental grants for pollution control, though the main objective under this program is to grant monies for municipal wastewater treatment expenditures.

The number of pollution control loans made to industry under the Title II program has only been 2 or 3 over the past six years. EDA loans are typically large and may cover companies of 200 employees or greater. The Title II program of EDA is essentially for large businesses and is to them what SBA loans are to small businesses. Loan amounts are geared to the number of jobs. Loan amount formulas are typically between $5,000 to $10,000 per job created or preserved. Therefore, loans are typically $1,000,000 or greater (based upon 200 employees at $5,000 per job).

The actual EDA Title II program can consist of both loans and guarantees. Direct loans can be made for fixed assets or for working capital. Such loans cannot by law be greater than 65% of project cost. Typically the percentages are lower than that specified in the law due to funding limitations. Guarantees can be extended by EDA for loans or for leases. Guaranteed amounts can not exceed 90% of the amount of the project.

Under Title IX there are no such formulas specified by the legislation for EDA grants. Grant amounts are established on a case-by-case basis.

The current fiscal budget for Title II loans is $40,000,000. The current fiscal budget for Title IX grants is $68,000,000.

EDA has regional offices; the Philadelphia Office covers the Middle Atlantic and New England states. Each state has an EDA representative who often activates projects or can answer questions for possible loan or grant candidates.

Each element below will describe the characteristics for both Title II and Title IX programs.

1. Benefits of the Program

The major benefit of EDA programs is that an ailing company may have access to a source of funds. EDA will only make direct loans or guarantees to industry or grants to communities if they have no other funds commercially or otherwise available.

Under Title II, loans are made at a specified treasury rate. The loans usually have long repayment terms, and in the case of fixed assets would not likely exceed the useful life of the fixed asset. Rates on loan guarantees are subject to negotiation between the lender and the company. The numerical benefit of EDA loans is the same as the benefit of Small Business Administration direct compliance loans.

Under Title IX the benefit of the program is that no repayment is required. However, the full cost of a program such as pollution control may not be awarded under the grant. The amount of the grant will depend on a case-by case evaluation of the amount of expenditures involved and the need of the community/industry.

An industry does not have to repay any part of the grant.

2. Eligible Program Users

Under Title II and Title IX, programs, all large companies are eligible for EDA programs. The definition of large begins where the definition of small leaves off under SBA programs.

3. Eligible Pollution Control Programs

Under Title II, any pollution control or regulatory program which threatens the closure of a plant would qualify for financial assistance. Under Title IX, a somewhat more restrictive eligibility exists due to the nature of pollution control programs funded. Grants only go to those programs where community-owned property is involved. An example is a wastewater treatment or collection facility which is owned by the municipality. A way of utilizing this program for air or water pollution control at the plant level is when the municipality takes title to property used by an industry under an industrial development bond program.

4. Eligible Pollution Control Expenditures

All process change and end-of-line expenditures are eligible under EDA Title II or Title IX programs.

5. Availability of Funds

The availability of EDA funds for Titles II and IX are relatively restricted and are not sufficient to satisfy demand for all projects regardless of pollution control. The budget for Title II programs for fiscal year 1977 was $40,000,000. The budget for fiscal year 1977 for Title IX programs was $68,000,000. A greater amount of funds under Title IX is likely to go to pollution control than is likely under Title II. As indicated earlier, there have been 2 or 3 pollution control loans under Title II. There are no figures available to indicate what the demand for EDA loans could be with unlimited funding. For example, EDA does not publicize or promote Title II programs in an active way. Under the Early Warning System monitoring that EDA performs, a company is only contacted if imminent closure is threatened.

6. Duration of Program

The duration of Title II and Title IX programs is dependent on annual funding by Congress. The EDA is not a permanent agency under the Department of Commerce; therefore appropriations for their budget have to be made yearly. It is anticipated by EDA that Title II and Title IX programs will continue.

7. Utilizing EDA Assistance

The loan application process for EDA loans under Titles II and IX is quite involved and time consuming. It is time consuming for the applicant to complete the entire application package including necessary documentation. It is also time consuming for EDA to process the loan application because it often performs its own feasibility study of the project. There are many parties involved in the loan or grant package under EDA programs. These parties will be enumerated below. There are no longer any fees charged for Title II or Title IX applications.

Certification. Whenever pollution control is involved under Title II loan or guarantee programs or Title IX grants, the applicant must submit the notice from the appropriate agency that the agency intends to shut down the facility if compliance is not achieved by a certain date. Certification is also required from the pollution control agency for the actual equipment which will be installed to control pollution. For any new project involving greater than 1 million dollars, a feasibility study prepared by an independent consultant must also be submitted with the application. For projects of less than 1 million dollars the company itself may submit a feasibility study package. Specific details of the pollution control compliance certification as well as feasibility studies are not specified in the EDA regulations.

Other Documents. The applicant must submit evidence from banks or other commercial lending institutions that the company is not able to obtain financing. The application for Titles II and IX are contained herein as appendix F. There is considerable information required on this application pertaining to employees, collateral for loans, the cost of the project, the financing sources for the project including the participation by the company, EDA, banks, and any government agency.

Procedures. Applications for Title II and Title IX programs are available from the appropriate regional EDA office. The Philadelphia EDA office is located at 6th and Arch Streets, Philadelphia, PA 19107, (215)597-7889. It is advised that a potential applicant spend some time with an EDA loan officer to review the application and information that is required. It is then necessary to complete the application package along with all of the other documentation required, such as certification, feasibility studies, collateral appraisals and evidence of the unavailability of financing. This entire process will be time consuming and involve considerable cost to the applicant, i.e. administrative costs. The application is then submitted to EDA. EDA can perform its own feasibility on the project if it so desires. It will also do considerable investigation into the project.

Costs. There are no fees for submitting applications for Title II or Title IX financial assistance programs. Under the Title II guarantee program, a fee existed until January 1, 1977. EDA does have the right, when they require additional studies or appraisals, to assess the company for the conduct of those efforts when they are performed by personnel outside of EDA.

8. Legislative References

Authorities for these programs may be found in the Public Works and Economic Development Act of 1965, as amended: 42 U.S. Code 3121 et seq. The rules and regulations issued pursuant thereto are contained in Title XIII, Chapter 3, Code of Federal Regulations.

Section F

Financial Assistance to Farmers and Rural Industry from the Farmers Home Administration and Small Business Administration

Any farmer facing pollution control expenditure requirements and who is unable to obtain financing, or obtain it at reasonable rates, is eligible for additional federal financial assistance. The same assistance for pollution control is also available to rural businesses that cannot obtain financing. The assistance is primarily available from the Farmers Home Administration of the U. S. Department of Agriculture and secondarily from the Small Business Administration. Rural businesses and farmers are also able to use the other federal programs previously described. However, the financially weak rural business and farmers are the primary beneficiaries of the programs to be described in this section.

The pollution control requirements need not be federally imposed to qualify for FmHA assistance. For example, if a farmer is complying with local nuisance complaints, he can receive assistance from FmHA or SBA to control the nuisance.

Other pollutant control needs include, for example, non-point source water pollution control, fugitive dust control, erosion and sedimentation control and feedlot discharge controls.

The type of financial assistance available to farmers is largely direct loans at low interest rates and moderate to long term repayment periods. Guaranteed loans are provided in these programs, but direct loans (referred to as insured loans by FmHA) are more widely used for farmers. For its rural business and industrial loan program, FmHA uses guaranteed loans almost exclusively.

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FmHA has five different financial assistance programs that can cover pollution control expenditures of profit oriented farmers and/or rural businesses: Soil and Water Loans , Operating Loans, Farm Ownership Loans, Business and Industrial Loans, and Water and Wastewater Loans and Grants.(1) All of these loan programs can fulfill non-pollution control needs as well; therefore, the budget figures need to be kept in this perspective. SBA has one program that covers farmers when the size of funds required cannot be completely loaned by FmHA and when SBA can cover the size required. All of these programs have different characteristics. The description of all these programs will depart from the format of the other programs. Each program will still be described individually but not in such a formated structure. Emphasis will be placed on the characteristics that differentiate the FmHA programs from each other. A section will then describe the commonalities of the various programs. A concluding section then describes the SBA loan program and how the FmHA and SBA programs are integrated.

1. Soil and Water Loans

Assistance provided under this program is for improving and conserving water supplies, and for preventing contamination of ground water or streams. The assistance was provided at first for 17 western states under the Water Facilities Act of 1937. In 1954 the Act was changed to include all states.

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(1) FmHA also has a loan program for farmers converting or acquiring land for recreation purposes. This program is not covered herein since it is unrelated to mandatory environmental requirements. FmHA can also make loans to associations of farmers for purposes of pollution control, where the association cannot obtain credit elsewhere. This program only has a $4,000,000 budget (considered small, relative to other FmHA programs) and is not given separate treatment here.

Soil and Water Loan assistance typically consists of insured loans, although guaranteed loans can be made. Insured loans are made at a 5 percent rate of interest as prescribed by Federal statute. Guaranteed loans cover 90 percent of the expenditure and also have a 5 percent interest rate statutory limit for the borrower. FmHA provides a subsidy to the lender, currently 3 percent, for guaranteed loans in order to make up the difference in what are going lending rates.

The maximum Soil and Water Loan principal may not exceed $100,000 and the combination of all debts against the property may not exceed $225,000 or the market value, whichever is less. Loan repayment periods under this program can be as long as 40 years but no longer than the useful life of the project involved. Loan needs greater than the above limitations may be satisfied by SBA.

This particular FmHA program has been in existence for many years. However, beginning in fiscal year 1976, the funding for this program was raised considerably. Funding levels prior to fiscal year 1976 were on the order of 3 million dollars per year. Budgets for fiscal years 1976 and 1977 were increased by Congress to approximately 53 million dollars. This increased funding was due to expected pollution control needs and has helped FmHA erase some of the widespread shortages of funds that exist in other FmHA programs that have overlapping lending authority, such as farm ownership. Even with this funding boost, however, the first quarter 1977 budget for Soil and Water Loans was depleted 3 weeks before the quarter ended.

Soil and Water Loans are the only FmHA farm loan program herein described for which nonfamily farming entities are eligible for financial assistance. In most other FmHA farm loan programs, only the family farmer is eligible. The term "corporate farming entity" includes partnerships and proprietorships as well as private corporations engaged primarily in farming. The definition of family farm is included in the next loan category.

The typical use for Soil and Water Loans is for irrigation. However, erosion control measures such as grassways, land leveling, ditching, contouring, lagoons, etc. are eligible under this program. These latter types of erosion control measures can also fall under the FmHA Farm Ownership Loan program which is described as the third program in this section.

The low rate of interest and long repayment terms on these loans makes their benefit one of the highest when compared to programs previously mentioned outside FmHA programs. Funding for the program is provided on a yearly basis by Congress. Procedures for obtaining the loans are presented in a later section.

2. Operating Loans

Under this financial assistance program, loans can be made for pollution control expenditures that are relatively short lived. The program, however, covers all short-term farm operating requirements. This program grew out of an emergency farm production loan program enacted in 1949 and expanded in 1961 to include operating loans. Short-lived expenditures might include small equipment, such as a tractor to move manure from drainage areas or a device for cleaning barns of potential pollutants. The majority of loans under this program are insured loans. The maximum repayment period is 7 years. Although loans have a maturity of 7 years there is a provision for a 5 year renewal. The interest rates for these loans are determined by a formula; in 1977, the rate was 8 percent. The fiscal budget 1977 for this program was 625 million dollars of which 10 million is expected to be for guaranteed loans. Funding is provided annually by Congress.

Operating loans are only for family farmers, which is defined as a family which provides the management and major portion of the labor for the farm.

At no time may a borrower's total principal indebtedness for FmHA Farm Operating Loans exceed $50,000. Loan requirements greater than $50,000 should be handled through the Soil and Water Loan program (up to $100,000) and the SBA farm loan program (beyond $100,000).

One of the benefits of this program is that it provides a source of funds that may not otherwise be available. The interest rates are lower than those most operators in financial difficulty can obtain. However, the interest rates are not as low as other FmHA programs and other Federal financing programs. Loan application procedures are discussed in a later section.

3. Farm Ownership Loans

These loans cover real estate ownership for a family farm and include land purchase, farm enlargement, land and building development, and refinancing. The program was created by Congress in 1932. The definition of family farm is the same as the definition for family farm under Operating Loans. The loans can be made up to a period of 40 years, and the Federal statutory interest rate is limited to 5 percent.

The overall budget for this program was 450 million dollars in fiscal year 1977. That it is not adequate to meet present demand is evidenced by the fact that the first quarter budget for 1977 was already committed early in the quarter. The budget is not apportioned between pollution control and nonpollution control farm expenditures.

The majority of this budget is used to make insured loans. The maximum Farm Ownership Loan principal may not exceed $100,000 and the combination of all debts against the property may not exceed $225,000. As was the case for previously described FmHA programs, farmers with needs greater than those limitations should apply to SBA.

Some pollution control measures allow an applicant to qualify for Farm Ownership Loans or Soil and Water Loans. In such instances FmHA will (assuming funds are available) fulfill the loan under the program that is best for the applicant.

This program ranks, along with FmHA Soil and Water loans, as one of the best Federal assistance programs because of low-interest rate and long repayment term.

4. Business and Industrial Loans

This FmHA program may provide financial assistance to improve, among other things, the economic and environmental climate in rural communities, including pollution abatement and control. A rural area is defined as any area outside the boundary of a city of 50,000 or more and its immediately adjacent urbanized areas with population density of more than 100 persons per square mile. Priorities for loans are given to applicants for projects located in open country or rural communities and towns of 25,000 and smaller.

The main thrust of the program is to create and maintain jobs in rural areas.

Loans under this program are in the form of a loan guarantee, whereby FmHA, upon loan default, reimburses a lender for a maximum of principal advanced plus accrued interest. Borrowers of less than $500,000 are encouraged by FmHA to apply for assistance through the Small Business Administration. There are no dollar limitations on the size of a Business and Industrial loan. The fiscal year 1977 budget for this program was 350 million dollars. Interest rates are negotiated between the lender and the applicant.

Loan repayment period cannot exceed 30 years for land, buildings, and permanent fixtures; 15 years for machinery and equipment; or 7 years for working capital. Ordinarily a minimum of 10 percent equity at loan closing is required of the applicant.

Demands for funding under this program greatly exceed the available funds at present. The financing of pollution control expenditures is only part of the loan purpose for the program.

5. Water and Wastewater Loans and Grants

The Farmers Home Administration (FmHA) is authorized to make loans and grants to develop water and wastewater facilities for public use in rural areas and in towns of up to 10,000 people. This assistance is a supplement to Federal Water Pollution Control Act wastewater treatment construction grants.

Authority to finance water facilities was first received in 1937 with the enactment of the Water Facilities Act. The authority was expanded in 1965 to include the financing of wastewater facilities. The program is currently authorized by Section 306(a) of the Consolidated Farm and Rural

Development Act of 1972.

The maximum term on all loans is 40 years. However, no repayment period can exceed any statutory limitation on the organizations' borrowing authority or the useful life of the improvement or facility to be financed. The interest rate currently is 5 percent of the unpaid principal.

Facilities financed by FmHA must primarily serve rural residents; however, other users in the service area may be included in the facility design. Industries which may be served by such a facility are expected to pay their share of the wastewater treatment costs. The formula for industrial repayment is not the same formula that EPA uses for its municipal wastewater construction grant program. The industrial repayment for these FmHA loans are either determined by the Public Utility Commission having responsibility for that location or the design engineering firm for the wastewater treatment plant. As part of the loan repayment formula, industries with large wastewater flows are given bulk discount rates. (Such discounts are not available to industries under the EPA construction grant cost recovery systems.) For fiscal year 1977, $600 million in loan funds and about $265 million in grant funds were available.

Common Elements in FmHA Assistance Programs

All of the above FmHA programs have certain commonalities, especially involving procedures for obtaining the financing. All applicants must be able to demonstrate that financing is unavailable or only available at terms which they cannot afford. Evidence that other credit is not available need not be obtained in writing, but should be referable. All applicants must first contact the local FmHA county office, of which there are approximately

1750 throughout the country. The local county office can handle the majority of all loan applications and has independent decision-making authority. The local county supervisor will determine the best loan program for covering pollution control or any other expenditures for which a loan is being requested. FmHA charges no fees for the loan or guarantee programs it provides. Occasionally certain application and loan closing costs must be paid by the loan applicant. Such costs may include credit report fees, title searches, and title insurance. Collateral appraisals are performed by FmHA personnel in most cases. Funding for all of these programs is provided by Congressional appropriations on a year-to-year basis. An application package for all FmHA programs is included as Appendix G.

Small Business Administration Loans to Farmers

Public Law 94-305, approved June 4, 1976, now permits all small agricultural enterprises to be eligible for financial assistance from SBA. The passage of that law gave SBA and FmHA overlapping loan authorities for such enterprises as small business concerns engaged in the production of food and fiber, ranching, and raising of livestock, and all other farming and agricultural related industries. SBA's authority includes the types of farming activities described in the five FmHA programs.

The passage of this law was partially motivated by the lack of funds in FmHA programs. In addition, FmHA has received the extra Soil and Water Loan funds already discussed, which have helped some of the funds deficit. However, some FmHA loan programs such as Farm Ownership still have greater demand for funds than the supply.

To resolve the question of how to handle the overlap in loan authorities, FmHA and SBA, in September 1976, established a memorandum of understanding (Appendix H); staff in either office should be expected to give an applicant a determination of which agency has the authority in a given situation. In essence, the guidelines specify that FmHA is to handle loan requests when applicants qualify for both programs. One exception is when FmHA's lending limits in a particular program are less than the applicant's request and when SBA's limit are not exceeded by the request. In order to avoid two partial loans in that case, the application should be made through SBA. Another exception is when the project is an FmHA Business and Industrial Loan type but is for an amount less than $500,000. Again, SBA is the appropriate source.

Applicants, who were initially directed to an FmHA program but who are denied FmHA assistance for any reason, including lack of available funds in the program or an inadequate company credit for an FmHA program, may then contact SBA.

The reader should refer to Sections C and D of this report for a complete description of the SBA financial assistance programs for pollution control.

The flow diagram which follows is a useful summary to indicate which direction a farmer or rural business should go (or would be directed) for assistance based on specific conditions. Such a flow diagram is necessary because of the overlap in lending authorities between FmHA and SBA, and among FmHA programs.

The diagram first asks whether the potential applicant is a farmer or rural business. If a rural business, the applicant is directed to FmHA's business and industrial loan guarantee if the amount of funds required is greater than $500,000 or to SBA for lesser amounts.

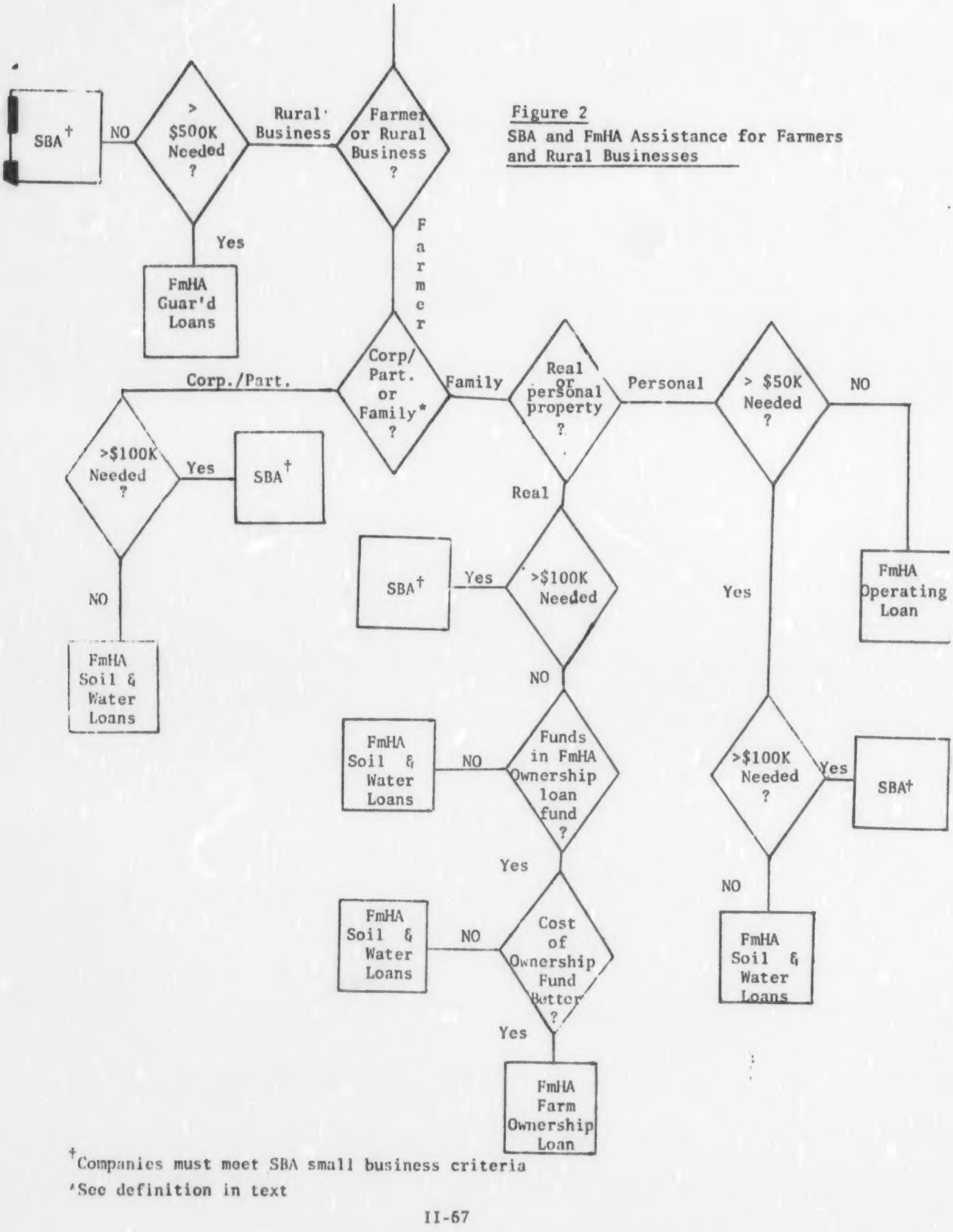
SBA†
NO
> $500K Needed ?
Rural Business
Farmer or Rural Business ?
Yes
FmHA Guar'd Loans
Farmer
Corp./Part.
Corp/ Part. or Family* ?
Family
Real or personal property ?
Personal
> $50K Needed ?
NO
>$100K Needed ?
Yes
SBA†
Real
FmHA Operating Loan
SBA†
Yes
>$100K Needed
Yes
NO
NO
FmHA Soil & Water Loans
FmHA Soil & Water Loans
NO
Funds in FmHA Ownership loan fund ?
>$100K Needed ?
Yes
SBA†
Yes
NO
FmHA Soil & Water Loans
NO
Cost of Ownership Fund Better ?
FmHA Soil & Water Loans
Yes
FmHA Farm Ownership Loan

Figure 2
SBA and FmHA Assistance for Farmers and Rural Businesses

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†Companies must meet SBA small business criteria

*See definition in text

Farmers are then divided into two categories: family and non-family. Corporations, partnerships and the like can only receive loans from the Soil and Water Loan fund, and then, only if their need is less than $100,000. Otherwise the non-family farmer must apply to SBA.

The pollution control needs of family farmers must then be divided into personal versus real property. Personal property pollution control measures can be satisfied by FmHA's Operating Loan program if the needs are less than $50,000; the Soil and Water Loan fund if needs are between $50,000 and $100,000; and SBA if the needs are greater than $100,000.

Real property needs can be satisfied by either SBA (where needs are greater than $100,000) or one of two of FmHA's programs, i.e., Farm Ownership or Soil and Water. The choice between the two FmHA programs is based on funds availability and cost to the farmer.

INDUSTRIAL COST RECOVERY SYSTEMS

Companies that generate wastewater sometimes have the option of treating the wastewater themselves and directly discharging to a stream, or indirectly discharging to a stream through a publicly owned treatment works (POTW). A company's choice of direct or indirect wastewater discharge depends upon many factors including the following:

- To discharge directly to the stream, the company must consider its costs for treating all wastes to conditions specified by discharge permit and its costs to transport the wastewaters to stream
- To discharge through a POTW, the company must consider the POTW charges for treating"compatible" wastes; the company costs to pre-treat "incompatible"[1] wastes; and company costs to transport wastewaters to the POTW.

Section 204(b)(1)(B) of the Federal Water Pollution Control Act requires that industrial users of publicly owned treatment works receiving federal grants make payments for that portion of the cost of construction of such treatment works which is allocable to the treatment of such industrial wastes. The resulting charges are called industrial cost recovery (ICR) and are for the capital (construction) costs associated with treating a company's compatible wastes, or handling pre-treated wastes.

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[1] "Incompatible wastes"refers to industrial pollutant discharges that are not normally present in the wastes of residences. "Compatible wastes"of industry are present in residential wastes and primarily include suspended solids and biological oxygen demanding wastes.

The capital costs, without interest, are repaid over the useful life of the POTW or 30 years, whichever is shorter. Industrial cost recovery only applies to the federal grant portion (usually 75 percent) of the POTW capital costs. POTWs may have to charge interest when recovering capital costs to repay the debt incurred in procuring construction cost money for the remaining 25 percent share, although interest costs for the local construction cost share can be reduced when the states provide grants for a portion or all of the local share.

It may appear peculiar to some companies who discharge to upgraded POTWs that this program could be categorized as providing financial assistance. These are the companies who, because they must now pay their equitable share of POTW capital and operating and maintenance costs, must pay considerably more than charges experienced in previous years before the FWPCA.

There is one important reason why POTW equitable cost recovery systems are categorized as providing financial assistance. A company would, in most instances, experience higher costs to meet effluent limitations if they discharged directly to a stream than if they pretreated if necessary and discharged to a POTW (discharged "indirectly" to a stream). Assuming equal stringency of direct or indirect treatment of pollutants, the direct discharger purchases capital equipment and pays interest, or an opportunity cost; the indirect discharger is also assessed capital costs, but interest payments are not required. The exclusion of interest payments on the company's portion of the POTW's capital costs is considered a form of financial assistance.[2]

The financial assistance of municipal treatment can be offset by at least two factors. First, POTWs are sometimes cost ineffective, which could result in a higher capital cost to the company than what would be incurred by the direct discharger. Secondly, POTW costs for the flow through of pre-treated wastewaters may be more than what the company would have otherwise experienced if it discharged directly to a stream.

A typical way in which industrial cost recovery is calculated by a municipality is to allocate the costs covered by the federal grant to the various components of compatible industrial wastewater; namely, wastewater flow, suspended solids and biological oxygen demand. The allocation results in a cost per unit quantity of those three pollutants. A company's actual discharges are multiplied by the cost to obtain the total capital cost allocation. The company is assessed the allocated amount over thirty years, or less if the POTW has a shorter useful life.[3]

An important question about industrial cost recovery is what happens to the annual payments if a company's discharge subsequently is reduced in volume or pollutant concentration. The answer depends on the commitment that the company initially made with the POTW. The annual payments would not be reduced upon subsequent discharge reductions if the company had reserved a specific capacity of the POTW. The reservation is the equivalent of having purchased a treatment system of its own and being accountable for the capital costs. When no reserve capacity is involved, the company's annual payments would decrease upon subsequent discharge reductions. Companies that make no reservation commitment, however, run the risk of not having access to POTW capacity if they expand in the future.

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[2] POTWs which receive federal wastewater construction grants must also establish a user charge system for the operation and maintenance costs of the plant. The municipality must charge industry and residences the full share of such costs and no benefit that could be called a subsidy or cost reduction technique is allowed.

[3] The above cost calculation procedure appears straightforward. However, there is considerable latitude in such things as the methods by which the municipality allocates costs, the overall costs, and in what constitutes normal and peak discharges.

Other details of industrial cost recovery systems are important. These include the following:

- If an industrial user's maximum flow (hourly, daily, monthly, seasonally, etc.) contributes to the cost of construction of a treatment works, it should be the basis for that ICR payment. No credit shall be given to the industrial user for the time period when the user is not operating and not discharging wastewater. Credit may effectively result however when other users have peak needs during the time when that first industrial user is not discharging.
- Industrial users often discharge uncontaminated cooling waters into municipal treatment facilities. Such cooling water is considered process waste and must be included in the ICR computation.
- Wastewater collection and treatment facilities are normally designed with unreserved excess capacity for expanded future use. The cost of building such unreserved excess capacity into a facility is not to be recovered from existing users under the federal guidelines.

- Industrial users discharging pretreated process wastes into the municipal treatment facilities must pay industrial cost recovery based on the characteristics of the pretreated process wastes.

1. Benefits of the Program

The following four scenarios demonstrate the extent of savings which arise from the industrial cost recovery system of public treatment. In each scenario, a NPV is computed for a $100,000 hypothetical cost of water pollution control. The cost is assumed to be the same for the direct and the indirect discharge. An after-tax discount rate of 9% is used in each scenario.

Scenario 1 assumes a reasonable set of variables for completely private financing, i.e., 10-year double-declining balance depreciation, plus the 10 percent investment tax credit and a 10 percent, 10 year loan. The NPV is $41,708.

Scenario 2 assumes the same investment but with the lower interest rate (6%) and longer payback period (20 years) characteristic of IDB financing. The NPV is $21,315.

Scenario 3 introduces the interest free 75% federal subsidy for the same plant tied into a municipal system, but assumes that industry must repay the entire cost (principal and 6% interest) to the municipality for the 25% that it finances. (This is a severe case, since often the municipality does not include interest on its 25% in the industrial user charge). The repayment period is 30 years. The NPV is $23,504.

Scenario 4 presents the combination of the interest free 75% federal subsidy and no repayment of principal or interest on the 25% municipal share. Obviously, of course, industry will be paying slightly higher general municipal taxes in this case. The NPV in this case is $13,354.

Scenario 1 can be compared to scenarios 3 and 4 for determining the benefit of industrial cost recovery assuming none of the federal pollution control financial assistance programs for direct discharge. Otherwise, scenarios 3 and 4 needs to be compared to scenario 2, which can be interpreted as saying that industry's benefit from industrial cost recovery is the same or better than that which pollution control IDBs provide. Scenario 4 benefits are considerably better than those of Scenario 2; however, Scenario 4 is not common, especially in EPA Region III.

2. Eligible Program Users

Industrial cost recovery applies to companies who discharge to those POTWs which have received federal construction grants under the Federal Water Pollution Control Act.

3. Eligible Pollution Control Programs

This program is only applicable to water pollution.

4. Eligible Pollution Control Expenditures

This benefit is not available for POTW treatment costs which are not eligible for federal construction grants. One example is costs unrelated to the requirements of the POTW's discharge permit. In other words, if the POTW treats a pollutant for a company but treatment of that pollutant is not required by the POTW's permit, then the POTW is unlikely to receive federal construction grant money for the treatment of that pollutant. Costs to connect the company to the municipal wastewater interceptor are also not eligible for federal construction grant money.

5. Availability of Funds

The vast majority of POTWs must upgrade their treatment of wastewaters to meet effluent limitations established under the FWPCA. Congress has intended that federal construction grant money be available to POTWs to perform the upgrading. By the end of fiscal year 1977, the $21 billion provided by the 1972 FWPCA amendments is almost entirely committed to projects. Additional funds are still required if the government still intends to assist in covering the upgrading costs. Action on future federal construction grant monies is expected by Congress in the Fall of 1977.

6. Duration of Program

Industrial cost recovery is a permanent part of the federal wastewater construction grant procedure. The program will expand as long as there is federal grant money available.

7. Utilizing Industrial Cost Recovery

A POTW will automatically establish an industrial cost recovery system if it receives federal grant money under the FWPCA. Prior to establishing the system the POTW will solicit information from companies about future wastewater discharge plans. It is important that companies monitor and understand how the POTW is establishing the industrial cost recovery system. There are no hard-and-fast rules for allocating POTW costs to industry, and the POTW has considerable discretion in such allocations. Therefore, the companies involved have a stake in insuring that the overall costs are reasonable and the allocations appropriate. Discussions about costs should be held with POTW officials and the POTW's engineering firm.

There are no certifications, other special documents, or application fees required by the POTW for industrial cost recovery. A significant user of a POTW, i.e., greater than 10 percent of the POTW capacity, is required to sign a letter of intent concerning future usage plans. The letter of intent does not bind the company to future payments should it decide to leave the POTW.

8. Legislative Reference

Section 204(b)(1)(B) of the FWPCA requires industrial cost recovery systems. The provisions of such systems are contained in 40 CFR Part 35, Subpart E.

The Environmental Protection Agency has issued guidelines to municipalities to help them establish industrial cost recovery and user charge systems. The title is: Federal Guidelines - Cost Recovery Systems Industrial Cost Recovery Systems, Municipal Waste-Water Treatment Works, Construction Grants Program, U.S. Environmental Protection Agency MCD-45, February 1976, Revised August 1976.

III CERTIFICATION FOR SMALL BUSINESS ADMINISTRATION POLLUTION CONTROL FINANCING

To assure that the SBA loans and leases for pollution control equipment are not used for improper purposes, there is a requirement that the equipment be certified by EPA as necessary and adequate for the stated task. SBA assistance cannot occur without such certification.

Certification of necessity is not a new concept. It means that EPA certifies that the company is being required by, in this instance, a pollution control agency to comply with a law. Adequacy, on the other hand, was first placed into use for SBA loans in the 1972 amendments to the Federal Water Pollution Control Act. It means that the regulating agency must also say that the equipment under consideration will do the job of complying with the regulation. Because such certification helps distribute the task of insuring proper usage of the SBA loan program, SBA now makes both adequacy and necessity a certification requirement for all compliance loans.

SBA has even taken certification a step further by requiring that the certifying agency specify what equipment is extraneous to pollution control. This step makes certification more time consuming and difficult for the certifying agency. In practice, a reasonable doubt exists as to the thoroughness wich which certifying agencies perform this step.

This section of the manual will describe certification activity and procedures within the states of EPA Region III. The parties involved in these descriptions are SBA, EPA, state pollution control agencies and potential loan applicants.

A significant aspect of SBA financial assistance for pollution control loans is the infrequency of loan applications. By mid-1976, there had been only 20 applications for certification made to all environmental agencies within EPA Region III. Of these, 16 certifications were issued, 1 was pending, and 3 were presumed to have been dropped by the applicant. Certifying authorities have advanced several reasons for the lack of interest among small businesses, including the lack of publicity by SBA.

EPA has primary certifying authority for all compliance loans. Region III of EPA issues certifications for water pollution control equipment in the region, except in Maryland, which requested and received certifying authority from EPA for water pollution control projects. None of the other states in Region III have requested water certification authority; in fact they have refused to accept the authority despite their seeming legislative mandate to do so. The state agencies provide certification for air projects essentially by default, but in virtue of the fact that they designed the controlling State Implementation Plans for reducing air pollution. SBA has been accepting state certifications in most cases so a viable procedure has evolved in a manner unusually informal for government agencies. However in one instance a manufacturer was required to obtain a certification letter from EPA for an air pollution control project even though the state had supplied a letter. This was an instance involving one of the larger SBA loans. SBA Region III has informed JACA that as long as they receive certification from an "authorized agency" (underlined but not defined) they are satisfied; they do not care which agency issues the certification. The various federal and state agencies will be discussed below.

U.S. Environmental Protection Agency Region III

EPA processes all certification for water pollution control projects within Region III, with the exception of Maryland. EPA has issued no air certifications (though it did approve one state-issued certification), and has no present intention of doing so.

When EPA receives a request for certification of water pollution control equipment, it is routed to Dr. Walter Lee, Staff Environmentalist, Envorcement Division, U.S. Environmental Protection Agency Region III, Curtis Building, 6th and Walnut Streets, Philadelphia, PA 19107. He collects any supplementary information that may be required and performs the technical review. His review consists of:

1. Determining which regulations apply to the applicant
2. Determining whether the contents of the consent order satisfy best practicable control technology requirements
3. Checking consultant-supplied specifications for gross errors, and
4. Issuing the certification if controls are necessary and the submitted plan appears adequate.

About half of the applicants have had their size eligibility determined by SBA prior to application; doubtful cases are checked by EPA prior to certification. SBA does not begin to process loan application until after certification is issued by EPA.

EPA does not interpret the regulations on not certifying extraneous equipment strictly. One way that EPA could stop extraneous equipment is by analyzing costs. However, EPA does not examine proposed costs for reasonableness.

Liability of the agency for improper certification for adequacy has been discussed, and is protected against by inserting qualifying clauses in certification statements.

DELAWARE

Delaware would issue certifications for air pollution control equipment, but there have been no applications as of mid-1976. Even considering the fact that Delaware is a small state with few small manufacturing concerns, no applications indicates little public awareness of the compliance loan program. The Department in charge of certification is the Delaware Department of Natural Resources and Environmental Control, Dvision of Environmental Control, Air Resources Section, Tatnall Building, Dover, DE 19901.

Certification for SBA water pollution control loans should be requested from EPA's Region III office.

MARYLAND

The Maryland Department of Natural Resources handles all water pollution control certifications for Maryland, having been delegated certification authority by Region III; the address is Maryland Department of Natural Resources, Water Resources, Water Resources Administration, Water Permits Division, Tarries Office Building, Annapolis, MD 21401 (301)267-5821. Despite various other forms of publicity, only four requests for certification were received (only one of which was pursued by the applicant to completion).

Maryland has not issued certification regulations; they follow the federal regulations. Once all the necessary information has been submitted, the application is reviewed in depth commensurate with the complexity of the project. If the costs proposed were exhorbitant, the application would not be approved, but costs are not otherwise certified. All applications are processed and then sent to SBA; size eligibility is not a prerequisite for the agency to perform certification.

Liability for faulty certification for adequacy has been considered by the agency; certification letters contain conditions to protect the agency rights. If a project proved to be inadequate, enforcement would be suspended; but compliance would eventually be required.

Air pollution control certification is obtained through the Maryland Department of Health and Mental Hygiene, Bureau of Air Quality and Noise Control, Division of Engineering, Permits Section 201 W. Preston Street, Baltimore, MD 21201 (301)383-3147.

Maryland follows the federal certification regulations (Appendix B) as they have none of their own. One modification of the federally determined

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procedures that Maryland follows for air pollution control is to link certification to permits to construct. (Maryland has a set of procedures for companies to obtain permits to construct new air pollution control systems). Certification for SBA loans is issued after the permit to construct is obtained.

The same review procedures used for issuing a Maryland permit to construct control devices is used for issuing the certification letter. The letter can be issued prior to any SBA processing of the loan or size eligibility determination. Costs are not considered.

PENNSYLVANIA

The Pennsylvania Department of Environmental Resources (DER) is responsible for certifying air pollution control projects in Pennsylvania. There are no certification regulations established in the State of Pennsylvania; however, the Pennsylvania Department of Environmental Resources, Bureau of Air Quality and Noise Control, Division of Abatement and Compliance administers the loan certification program. The location of this office is the Fulton National Bank Building, 3rd and Locust Streets, Harrisburg, PA 17120, (717)-787-4324. As with other State programs,the certification procedures are only applicable to air pollution control. Certification for water pollution control is obtained from EPA (see Section III).

In Pennsylvania, each violation notice that is sent to a company is also sent to the Pennsylvania Commerce Department which in turn sends brochures to the company describing SBA and other financial assistance that is available.

DER's system is unusual in that each regional DER office (there are 7) processes the requests arising in that region. The regional offices are independent of headquarters in Harrisburg and have received little guidance from it, so each region may adopt its own procedures for issuing certifications. Four requests for certification have been processed by DER: two of those were by the Norristown, PA office, so its procedures are the ones detailed.

Requests for certification at Norristown are routed directly to the Regional Engineer, N. Rao Kona. SBA size eligibility must be established before a certification request will be processed. If the company has received an air pollution citation, this is construed as a determination of necessity. If a permit to construct the pollution control devices has been issued, this is equivalent to a determination of adequacy; a permit to construct will not be issued unless the plant will be in compliance with all state environmental regulations. The processing time is from 4 to 6 weeks. The engineering evaluation is done in the context of issuing a permit to construct and certification will not be issued without one. The staff use vendor guarantees, process information equipment specifications, and emission data to determine the necessity and adequacy of the equipment. DER does not consider the reasonableness of the costs of control for certification purposes.

DER has considered the problem of improper certification. Their solution is to use qualifing statements in certification letters and conditional permits to construct.

Certification for SBA water pollution control loans should be requested from EPA's Region III office.

VIRGINIA

The State of Virginia will certify air pollution control equipment for SBA financing. Certification can be obtained from the Virginia Air Pollution Control Board, Enforcement Division, Room 1106, Ninth Street Office Building, Richmond, VA 23219 (804)786-3248. The state has no certification regulations of its own for SBA financing. The board performs a cursory review of the application for the adequacy and necessity of the air pollution control method. Compliance with other environmental regulations is not required for certification.

Certification for SBA water pollution control financing should be requested from EPA's Region III Office.

WEST VIRGINIA

The State of West Virginia will certify air pollution control systems for SBA financing. State does not have specific regulations for such certification. The responsibility for certification lies with the West Virginia Air Pollution Commission, Compliance Division, 1558 Washington Street E., Charlestown, West Virginia 25311 (304)348-4022. Some administrative procedures have been established for certification when it does occur. Processing of certification request is expected to take about 30 days. It will be conducted by a mechanical engineer plus industry expert for complex certification cases. The reviewing engineer will rely upon process waste and equipment specifications provided by the company. To date, no request for certifications has been made.

Certification for SBA water pollution control loans should be requested from EPA's Region III office.

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IV. STATE FINANCIAL ASSISTANCE PROGRAMS FOR POLLUTION CONTROL

Nearly all states in the country have financial assistance programs for pollution control, often related to state or local taxes payable. Several states also have their own loan programs for pollution control. The effect of these programs is to add to the reduction in pollution control costs achievable by the Federal assistance programs. However, their benefits are typically not as large as those derived from the Federal financial assistance programs.

This section will describe the state financial programs for each state in Environmental Protection Agency Region III, i.e., Maryland, Delaware, Pennsylvania, Virginia and West Virginia. The description of each state program will be similar to that used with the Federal program descriptions.

The general categories of state programs typically include the following:

- Industrial development bond authority
- Tax exemptions, such as sales, use, and property
- Accelerated depreciation
- Grants or loans to municipalities
- Investment tax credits for pollution control equipment.

In addition, the states are often involved in Appalachian Regional Commission programs. The Appalachian Regional Commission (ARC) was created in 1965 to increase the economic vitality of the areas covered by the Appalachian mountains. One of the many programs created by ARC was an environmental grants program which included water and wastewater treatment facilities and solid waste facilities. For example, a municipality can receive anywhere from 5 to 25%

of the cost of construction of wastewater treatment facilities. However, not all of the funds in a fiscal year will go to wastewater treatment projects, since other pollution control such as mine subsidance and acid mine drainage also qualify. The program is not a very large one in any of the states. For example, in fiscal year 1977, there was approximately $14 million in Pennsylvania to be distributed among all the eligible environmental programs. There are thirteen states which each administer projects within its boundaries; these include Maryland, Pennsylvania, Virginia, and West Virginia. When ARC grants cover industrial waste treatment, the industry is not required to repay.

Delaware

Delaware's financial assistance for pollution control includes the following programs: authority to use industrial development bonds, sales and property tax exemptions, accelerated depreciation, and grants to municipalities.

1. Industrial Development Bonds

Delaware permits industries to use industrial development bonds (IDBs) for pollution control capital expenditures. For a description of how the IDB program operates,the reader should refer to Section II.B. Since 1973, there have been nine Industrial Development Bond issued by the State of Delaware as revenue bonds, i.e., the state does not guarantee the bonds. This program has been used by seven companies. The size of issues has ranged from $1 million to $32 million and the total amount of issued bonds is $66.48 million.

The State of Delaware also has a program for guaranteeing industrial development bonds; however, it is not presently used for pollution control expenditures. The guarantees are used for job creation purposes. Legally, it appears that the guarantee could be used for pollution control IDBs.

There have been no private placements of pollution control industrial development bonds in the State of Delaware, as there have been in the other states within Region III.

The IDB program is conducted by the Department of Community Affairs and Economic Development, the Division of Economic Development located at 45 The Green, Dover, Delaware.

There is a charge from the State of Delaware for using industrial development bonds. The fee schedule is reproduced herein as Appendix I. In addition to these charges, industries must deposit $5,000 with the Secretary of Community Affairs and Economic Development when their application for industrial financing is approved. Upon sale of the bonds the deposit will be returned in full to the company. If the bonds are not sold, or if the company terminates the project, the deposit minus the expenses incurred by the Department will be returned to the company.

2. Tax Exemptions

Pollution control equipment is exempt from County, Municipal and school taxes of the three counties in Delaware. There is no sales tax for the State of Delaware. The property tax exemption includes all types of pollution control expenditures by all companies. The exemption is a permanent part of the tax laws.

3. Accelerated Depreciation of Pollution Control Equipment

The State of Delaware has a corporate income tax which includes accelerated depreciation of pollution control equipment. The computation of the state tax starts from what the company reports as federal taxable income, thus companies will receive an additional benefit under the state corporate income tax. The state benefits do not include an investment tax credit since the state does not have such a credit. The use of the federal investment tax credit by a company is not affected by the absence of a state credit.

Special forms, certification and the like are not required to obtain this state privilege for pollution control equipment.

4. Grants to Municipalities

The State of Delaware contributes a minimum 10% grant for eligible costs of municipal treatment works. Eligible costs are defined in the same way as the Federal EPA construction grants program. The one exemption is that the acquisition of real property is not included in the project cost. The 10% grant program does not require industries to repay its proportionate share of the construction costs identifiable with the 10% grant. The funding level of the State grant program has been sufficient to cover the demand by municipal wastewater treatment plants. One reason for this sufficiency is the considerable delays that have been experienced by municipalities in receiving federal construction grants for the financing of the remainder of the facility. State grant program funds were authorized several years ago and are available when federal funds are provided.

Maryland

The State of Maryland has two Industrial Development Bond financing programs for pollution control, a sales tax reduction for pollution control equipment, a service program for undertaking pollution control functions, and a real property tax exemption for pollution control equipment. In addition the State of Maryland has its own grants program for municipal wastewater treatment plants. The State also administers the Appalachian Regional Commission's supplemental grant program for municipal wastewater treatment facilities.

1. Industrial Development Bonds

The State of Maryland has one Industrial Development Bond program which operates as explained in Section II.B. Revenue bonds are issued by one of the political subdivisions of the State of Maryland on behalf of corporations installing pollution control equipment.

Maryland's other program is conducted through the Maryland Industrial Development Financing Authority (MIDFA) which may include pollution control equipment if it is a part of the financing for a larger project primarily intended for jobs creation. Under the MIDFA program, the state can guarantee up to 90% of the financing, making the bonds effectively general obligation bonds of the State. This type of bond is likely to have lower interest rates than a revenue bond since it is backed by the credit of the state. The remaining 10% must be raised by the municipality or the company itself.

Under the Industrial Development Bond program conducted through the political subdivisions, no fees are charged for the applicant; fees are charged under the MIDFA Program. The fees in the latter program are one-half of one percent

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per year on the declining balance of the financing. This fee can be waived when the unemployment rate in the county is greater than 1% above the national average.

Many private placement pollution control IDB financings have been conducted in the State of Maryland under the MIDFA and the regular Industrial Development Bond program. The minimum size of the private placement issues has been approximately $90,000.

There are no standard forms used under the Industrial Development Program; there are in the Maryland Industrial Development Authority Program.

The contact for the regular IDB program is the Director, Division of Business and Industrial Development, Maryland Department of Economic and Community Development, 2525 Riva Road, Annapolis, MD 21401; (301) 267-5514.

The contact for the MIDFA program is Executive Director, 1223 Munsey Building Calvert and Fayette Streets, Baltimore, MD 21202; (301) 383-4348.

2. Sales Tax Exemption

The State of Maryland permits pollution control equipment to be classified as manufacturer's machinery and equipment. As such, it is entitled to a 50% reduction in the sales tax, which means a 2% rate as opposed to a 4% rate. This program is administered by the Retail Sales Tax Division of the State's Controllers Office located at 301 W. Preston Street, Baltimore, MD 21201. The reduction in sales tax is permitted when the pollution control equipment is mandated by the county, state or federal government. The company need not show proof when they are filing the sales tax forms that such a mandate has been required. The company is, however, subject to audit to determine the mandated aspects of the installation. There is no reduction in the sales tax benefit for pollution control equipment which returns a saleable by-product.

The value of the pollution control equipment that is classified as manufacturing machinery and equipment can include the cost of foundation for the equipment.

3. Property Tax Exemption

Maryland permits pollution control machinery and equipment to be exempt from state and/or local personal property taxes. The tax assessors provide the exemption by not placing the value of the equipment in the assessment base. No certification is required from a regulatory agency.

There is no such state exemption for real pollution control property taxes.

Questions on taxes should be directed to the Department of Assessments and Taxation, State Office Building, Baltimore, MD 21201.

4. Maryland's Environmental Service

The Maryland Environmental Service (MES) conducts pollution control functions for municipalities or industry. MES has not yet performed this function for industry. The way in which the service works is to fund itself through tax free bonds at a low interest rate due to the State's high credit standing. The proceeds of the issue are then used to build and operate the pollution control facility for an industry or municipality. The Service then charges the user for the system on a lease basis.

An industry of sufficient credit strength can request a political subdivision to issue Industrial Development Bonds in the company's name and based on it's credit position. However, if the bond rating of the company is less than that of the Maryland Environmental Service, the MES should be considered.

The address and phone number of the Maryland Environmental Service is State Office Building, Annapolis, MD 21401 (301) 269-3351.

5. State Grants and Loans to Municipalities

The State of Maryland provides one-half of the local share of construction costs of municipal wastewater treatment plants. One half of the local share amounts to 12.5% of total costs, which along with a federal grant amounts to 87.5% of costs covered by grants. The state does not have an industrial payback provision when the grant covers wastewater treatment costs for industrial waste.

The state does not have grants for municipal treatment plant operating and maintenance costs.

The state's grant program is funded annually by state legislation and has been adequate in covering the needs of municipalities.

The State does have a loan program for communities that are having difficulty obtaining the final 12.5% of construction costs that is their responsibility to provide. Industrial payback may be a part of such a loan program, depending on the municipality's intention to repay the loan from taxes or from allocated treatment costs.

6. Appalachian Regional Commission

In 1975, Maryland administered ARC grants of approximately $1.2 million for water and wastewater treatment projects.

Pennsylvania

The State of Pennsylvania has the tax-free Industrial Development Bond financing program for pollution control equipment, a sales and use tax exemption, rapid amortization of pollution control equipment for state income tax purposes, and a capital stock tax exemption and franchise tax exemption for pollution control equipment. Pennsylvania has a grant program for the municipal wastewater treatment plant construction cost of low income areas. The state also administers the Appalachian Regional Commission's grant program for municipal water and wastewater treatment facilities.

1. Industrial Revenue Bond and Mortgage Program

In Pennsylvania, practically all sized companies can obtain tax-free financing for pollution control equipment. This can be done under the Industrial Revenue Bond program which is similar to that which is described in Section II.B., or under a mortgage financing program established under the Pennsylvania Industrial Development Authority (PIDA). Land and buildings can be financed under the PIDA Mortgage Program; equipment can be financed under the Industrial Revenue Bond program.

All applications for tax-free industrial development type financing of pollution control equipment are channelled through a county Industrial Development Authority. After approval at the county level, further approval must also be obtained from the Director of Economic Development of the Pennsylvania Department of Commerce. A fee for application is charged by most counties. The amount of the fee will differ from county to county; where it is higher it effectively minimizes the dollar expenditures that can be attractively financed under the Industrial Development Bond program. However, by and large, pollution control equipment expenditures of less than $100,000 can be financed under a tax-free loan program, and in many instances expenditures as low as $25,000 or $30,000 have been financed by private placements on a tax-free basis.

2. Sales and Use Tax Exemptions

Until March, 1977, the State sales and use tax exemption for pollution control equipment was only applicable if the company was recycling the materials captured by the pollution control equipment. Thus when the pollution control equipment merely removed the waste material without some form of recycling, the equipment was not considered to be eligible for the tax exemption. Now, however, the State sales and use tax exemption will apply to virtually all pollution control equipment. A precise definition of pollution control equipment cannot be determined as of the date of this writing since comments are being received by the State as to the definition of pollution control equipment for this exemption program. Certification from a State pollution control agency is not required for this program.

3. Rapid Amortization of Pollution Control Equipment for State Income Tax Purposes

The State permits pollution control equipment to be deducted from State income taxes in the same fashion as the federal government; that is, rapid amortization over a 60 month period. The one difference between the State and Federal income tax deduction programs is that the State does not have an investment tax credit. Pollution control equipment must be certified by the Department of Environmental Resources. This has produced a problem in that the Department of

Environmental Resources will not certify equipment until it is operating. For a company that takes up to two to three years to install pollution control equipment, this prevents them from taking immediate deductions on the portions of the plant that are installed.

There is no penalty in the State income tax deduction provision for by-product recovery as there is in the Federal program.

4. Franchise Tax Exemption

A franchise tax is a charge paid by a company for the privilege of conducting operations in a state. The tax is generally assessed as a percentage of a corporation's net worth, income or assets. In Pennsylvania the tax is applied to asset value. For franchise purposes, the exemption for pollution control equipment is claimed by excluding the original cost value of the device from the numerator of the tangible property fraction on which the tax is computed.

In order to obtain the franchise tax exemption, a schedule must be furnished by the company reflecting the location, description and the amount of each pollution control device. In addition, a copy of the certification issued by the Pennsylvania Department of Environmental Resources must be submitted annually in support of the exemption. When a Federal certification or a notice of intent to certify has been issued, a copy must also be submitted for the exemption.

5. Capital Stock Tax Exemption

Pennsylvania charges companies a capital stock tax. In order to compute the capital stock tax for a company, the average net book value of pollution control equipment is deducted from the average total assets. In order to obtain the capital stock tax exemption, the same procedures as explained for the franchise tax exemption must also be followed by a company.

6. State Grants to Municipalities

The State has a 5% grant program for the construction of a municipal wastewater treatment plant. These grants are applicable to low income areas. The State examines all Step 1 and Step 2 applications for Federal construction grant funding in order to determine which municipalities are considered low income by their criteria. The municipalities are then offered the 5% supplemental grant. An industry does not have to pay back a portion of the grant. From 1973 to 1976, there have been approximately ten projects that qualify under this program totalling approximately $1 million in value.

7. Appalachian Regional Commission

In 1975 Pennsylvania administered ARC grants of approximately $5.2 million for water and wastewater treatment projects.

Commonwealth of Virginia

The Commonwealth of Virginia has the following financial assistance programs for pollution control: industrial development bonds, the permission for local municipalities to exempt pollution control equipment from property taxation, a sales and use tax exemption, and a rapid amortization and investment tax credit provision for Commonwealth income tax purposes. The Commonwealth of Virginia also administers the federal Appalachian Regional Commission grant program for municipal water and wastewater treatment facilities. Virginia is also one of five states in the Coastal Plains Regional Commission which occasionally provides supplemental grants for wastewater treatment.

1. Industrial Development Bonds Program

Virginia, as do all EPA Region III states, permits pollution control expenditures to be financed by tax-free Industrial Development Bonds. Although the Commonwealth has general authority over the program, the bonds are issued through the local authorities. Fees are not charged by the local authorities to cover administrative costs, though charges are made to cover direct costs connected with the bond issue. However, some local authorities within Virginia are beginning to more heavily promote the Industrial Development Bonds program. To cover such expanded operations, some of the authorities now charge fees.

The conduct of the Industrial Development Bond program in the Commonwealth of Virginia is as described in Section II.B. IDBs can either be sold publicly or privately. There is no information at the Commonwealth level as to the minimum size issue of Industrial Revenue Bonds placed privately.

2. Property Tax Exemptions

The Commonwealth of Virginia permits local municipalities to exempt pollution control facilities from local property taxes and other ad valorem taxes. The property must be certified by the appropriate air and water pollution control authorities. Certification procedures for this purpose are not as rigorous as they are for rapid amortization for federal income tax purposes or for SBA financing certification.

3. Commonwealth Sales and Use Tax

The Commonwealth of Virginia exempts pollution control facilities and equipment from Commonwealth sales and use taxes, as are all manufacturing facilities and equipment.

4. Commonwealth Income Tax Program

The Commonwealth of Virginia permits pollution control equipment to be treated for state income tax purposes in the same manner as pollution control equipment is treated for federal income tax purposes. In other words, a company in the Commonwealth of Virginia can use rapid amortization as described in Section II.A for state income tax purposes. On the other hand, since the Commonwealth of Virginia does not have a corporate income tax credit, the companies cannot use the same 50 percent investment tax credit with rapid amortization that they can use for federal tax purposes.

5. Grants to Municipalities

In fiscal year 1977, the legislators of the Commonwealth of Virginia did not provide grant funds for the local construction costs of municipal wastewater treatment facilities. In the previous year there was a grants program under which municipal wastewater treatment facilities could obtain a 5% grant.

6. Appalachian Region Commission

In 1975, Virginia administered ARC grants of approximately $1.8 million for water and wastewater treatment projects.

7. Coastal Plains Regional Commission (CPRC)

The CPRC consists of Virginia, North Carolina, South Carolina, Georgia and Florida and was established under the Public Works and Economic Development Act of 1965. Fiscal 1976 and 1977 budgets each totaled approximately $10 million. The vast majority of funds are for development projects; only small amounts are for environmental projects. The CPRC is legally capable of providing funding for demonstration pollution control projects of a hardware nature, but have not to this date. The Commission has provided supplemental construction grants for municipal wastewater systems, but at modest amounts of approximately $150,000 for each of the last two years. Virginia was not a recipient of such funds.

West Virginia

The State of West Virginia offers pollution control the following financial assistance programs: an industrial development authority financing program and a tax credit against business and occupational taxes, a tax deduction against State Corporate Income Taxes, the absence of a sales tax for pollution control and other manufacturing equipment, and a personal property tax exemption. The State of West Virginia also has its own grant program to pay a portion of the municipal wastewater construction projects and also administers the Appalachian Region Commission's grant program for water and wastewater treatment facilities.

1. Industrial Development Bonds

Industrial Development Bond financing for pollution control systems is conducted by corporations through the various industrial development authorities of the counties and local municipalities of West Virginia. The program is basically conducted as described in Section II.B.

Application fees are not charged by the local authorities for processing and issuing poolution control IDBs. Private placement of pollution control IDBs with banks or insurance companies is used extensively. The state does not compile specific records, but private placements of as low as $50,000 are known to have occurred.

The State Department of Commerce does lend money to local authorities for the purpose of buying up to 30 percent of the cost of a project. Some projects may include pollution control, but the major intent of such loans is to create new jobs. Therefore, as a rule, projects for pollution control only are not funded by this program.

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2. Sales Tax Exemption

The State of West Virginia has a consumer sales tax program. However, pollution control and other manufacturing equipment are not subject to such tax.

3. Personal Property Tax Exemption

Under the State of West Virginia property assessment procedures, pollution control equipment is given an 85% tax exemption for its cost plus installation value. This exemption is conducted as follows: The State Tax Department, when it receives notice of certification by one of the pollution control agencies, visits the plant and assesses the value of the personal property that is used for pollution control equipment. That value (cost plus installation) is then reduced by 85%. The reduced value is then further reduced by the general assessment rate of 55%; therefore, only 7-1/2 to 8% of the value of the pollution control equipment including installation is subject to the personal property tax of the local authorities. There is no such exemption for pollution control equipment that is considered land and improvements.

4. State Tax Credit for Business and Occupational Tax

The State of West Virginia has a revenue tax called the Business and Occupational Tax. Pollution control equipment expenditures are treated as a credit against the tax liability under that tax program, although there is no legislation specifically providing the credit. In fact, its treatment as a credit has differed somewhat over the years. Past State of West Virginia administrations have only permitted the credit when the company's financial position was considered marginal. The matter is currently under review although presently all pollution control equipment is eligible for the tax credit.

Equipment with a life of 8 years or more is allowed to have a 10% Business and Occupational tax credit per year for the useful life of the equipment. A $100,000 piece of equipment would result in the company's deducting $10,000 from the taxes that it owes under Business and Occupational Tax program. The amount of the tax credit in any one year for any one company is limited to 60% of its tax liability. There is no carry forward of any benefits not able to be used in any one year.

5. State Corporate Net Income Tax Deduction

The State of West Virginia does have a corporate net income tax, and by law has declared pollution control equipment as eligible for a deduction. The corporate net income tax is based on a company's federally adjusted income. Starting from this point, the State then applies its own systems of deductions or additions to that federal income base. Pollution control is one of the deductions. The program allows for the entire amount of the cost of pollution control equipment to be deducted from the corporate net income tax in one year. If the size of such a reduction should result in a loss for the company, the amount of the deduction can be carried forward for up to three years. Although this tax deduction program for pollution control equipment appears significant, the amount of cororate net income taxes that corporations pay on a yearly basis is minimal.

6. State Grant Program for Municipal Wastewater Treatment Facilities

The State of West Virginia has two programs to assist municipalities in building wastewater treatment facilities. The first program is to provide loans to municipalities to enable them to conduct the step 1 and step 2 processes under the Federal construction grant program. These steps essentially plan the type of waste water treatment facility that will be used. The municipality can repay the loan out of the proceeds of the Federal construction grant that is subsequently received.

In the other program, the State contributes 5% of the eligible cost of construction as a grant. There is no payback provision on the part of the municipality even if some of the funds in essence are for the treatment of industrial waste. The State is also in the process of implementing a special grant program for low income municipalities. This program would call for 15% grants. The latter program is authorized by legislation of the State of West Virginia but is not yet implemented; therefore, the status of industrial payback is not yet determined.

7. Appalachian Regional Commission

In 1975 West Virginia administered ARC grants of approximately $1.7 million for water and wastewater treatment projects.

APPENDIX A

FORM APPROVED
OMB NO. 158-R0013

RAPID AMORTIZATION CERTIFICATION FORM

ENVIRONMENTAL PROTECTION AGENCY

APPLICATION FOR CERTIFICATION OF POLLUTION CONTROL FACILITY

(Pursuant to Section 169 of the Internal Revenue Code of 1954, as amended)

TO: REGIONAL ADMINISTRATOR *(Region, Street, City, State, Zip Code)*:

THRU: APPROPRIATE STATE WATER OR AIR POLLUTION CONTROL AGENCY *(Name of State Agency, Street, City, State, Zip Code)*:

Application is hereby made for certification of the pollution control facility described herein. The following information is submitted in accordance with provisions of Part 602 of Title 18 of the Code of Federal Regulations (Volume 36, Federal Register, page 9509, May 26, 1971) and to the best of my knowledge and belief is true and correct.

APPLICANT

DATE

SIGNATURE

STREET ADDRESS, CITY, STATE, ZIP CODE

TITLE

NOTE: READ ACCOMPANYING INSTRUCTIONS CAREFULLY PRIOR TO COMPLETING FORM.

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ORIGINAL

FORM APPROVED
OMB NO. 158-R0013

SECTION A – IDENTITY AND LOCATION OF CONTROL FACILITY

1. FULL BUSINESS NAME OF APPLICANT

2. TYPE OF OWNERSHIP
☐ INDIVIDUAL
☐ PARTNERSHIP
☐ CORPORATION
☐ OTHER *(Describe)*:

3. PERSON TO CONTACT REGARDING THIS APPLICATION *(Name and Title)*

TELEPHONE

ADDRESS *(Street, City, State, Zip Code)*

4. PERSON AUTHORIZED TO RECEIVE CERTIFICATION *(Name and Title)*

ADDRESS *(Street, City, State, Zip Code)*

5. BUSINESS NAME OF PLANT *(If different from Item 1) (Street, City, State, Zip Code)*

6. APPLICANT'S EMPLOYER IDENTIFICATION NO.

SECTION B – DESCRIPTION OF CONTROL FACILITY

1. DESCRIBE THE FACILITY FOR WHICH CERTIFICATION IS SOUGHT. INCLUDE TYPE OF EQUIPMENT, MANUFACTURER AND MODEL NUMBER. SUBMIT DESIGN CRITERIA, ENGINEERING REPORT AND/OR PERFORMANCE SPECIFICATIONS WHICH DESCRIBE FUNCTION AND OPERATION OF FACILITY:

2. IS FACILITY IN OPERATION?
☐ YES ☐ NO

A. IF "YES" DATE FACILITY WAS PLACED IN OPERATION

B. IF "NO" DATE FACILITY IS EXPECTED TO BE PLACED IN OPERATION

3. IF FACILITY CONSISTS OF A BUILDING, IS IT EXCLUSIVELY FOR CONTROL OF POLLUTION?
☐ YES ☐ NO

SECTION C – DESCRIPTION OF COMMERCIAL PROCESS OR ACTIVITY

1. DESCRIBE PROCESS OR ACTIVITY IN CONNECTION WITH WHICH FACILITY IS OR WILL BE USED.

2. STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODE NUMBER

3. DATE THAT EACH PLANT OR OTHER PROPERTY IN CONNECTION WITH WHICH FACILITY IS OR WILL BE USED, COMMENCED OPERATIO

PLANT OR PROPERTY	DATE
A.	
B.	
C.	

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OMB NO. 158-R1003

SECTION C – DESCRIPTION OF COMMERCIAL PROCESS OR ACTIVITY

4A. IF FACILITY IS OR WILL BE USED IN CONNECTION WITH MORE THAN ONE PLANT OR PROPERTY, AND IF ONE OR MORE OF THE PLANTS OR PROPERTIES IN CONNECTION WITH WHICH THE FACILITY IS OR WILL BE USED WAS NOT IN OPERATION PRIOR TO JANUARY 1, 1969, STATE THE PERCENTAGE OF THE COST OF FACILITY WHICH IS ALLOCABLE TO THE PLANT(S) OR PROPERTY(IES) IN OPERATION PRIOR TO THAT DATE.. ______________%

4B. DESCRIBE THE REASONING AND FURNISH THE DATA USED TO ARRIVE AT THE PERCENTAGE GIVEN IN RESPONSE TO ITEM 4(A).

5A. IF FACILITY PERFORMS A FUNCTION OR FUNCTIONS IN ADDITION TO THE ABATEMENT OF POLLUTION, STATE THE PERCENTAGE OF THE COST OF FACILITY ALLOCABLE TO THE ABATEMENT OF POLLUTION. ______%

5B. DESCRIBE THE REASONING AND FURNISH THE DATA USED TO ARRIVE AT THE PERCENTAGE GIVEN IN RESPONSE TO ITEM 5(A).

SECTION D – WASTEWATER CHARACTERISTICS (To be completed only in connection with facilities for the control of water pollution)

DESCRIBE THE EFFECT OF POLLUTION CONTROL FACILITY IN TERMS OF QUANTITY AND QUALITY OF EFFLUENT OR WASTEWATER DISCHARGED AND OF WASTES OR BY-PRODUCTS REMOVED, ALTERED OR DISPOSED OF. IF FEASIBLE, ATTACH PROCESS FLOW OR SCHEMATIC DIAGRAM WITH MATERIAL BALANCES OF THE WASTE OR WASTEWATER STREAM OR DISCHARGE. REPORT EITHER ON ACTUAL BASIS OR, IF FACILITY IS NOT YET IN OPERATION, ON DESIGN BASIS (Use Standard Units – pounds/gallon, grams/liter, ppm, etc.)

1. HOURS PLANT OR PROPERTY IS IN OPERATION:
a. Per Month: Min. _____ Max. _____ Avg. _____
b. Per Year: Min. _____ Max. _____ Avg. _____

	WITHOUT POLLUTION CONTROL FACILITY			WITH POLLUTION CONTROL FACILITY		
2. WASTEWATER DISCHARGE IN (A) GALLONS PER MINUTE, (B) MILLIONS OF GALLONS PER MONTH.	a. Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
	b. Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3. POLLUTANTS OR WASTE PRODUCTS						
3.a _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.b _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.c _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.d _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.e _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.f _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.g _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.h _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.i _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____
3.j _________	Min. _____	Max. _____	Avg. _____	Min. _____	Max. _____	Avg. _____

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ORIGINAL

FORM APPROVED
OMB NO. 158-R1003

4. DESCRIBE METHOD (GRAB OR COMPOSITE) AND FREQUENCY OF SAMPLING AND METHODS USED TO DETERMINE QUANTITIES OF POLLUTANTS.

5. IS FACILITY A PRETREATMENT FACILITY TO PREPARE WASTEWATER FOR RECEIPT BY ANOTHER FACILITY, PUBLIC OR PRIVATE, FOR FURTHER TREATMENT? IF "YES", SKIP ITEMS 6, 7 AND 8 AND IDENTIFY RECEIVING FACILITY. ☐ YES ☐ NO

6. IDENTIFY THE BODY OR STREAM OF WATER INTO WHICH WASTEWATER FROM THE PLANT OR PROPERTY, IN CONNECTION WITH WHICH THE FACILITY IS USED, IS OR WILL BE DISCHARGED.

7. DESCRIBE LOCATION OF DISCHARGE OR OUTFALL WITH RESPECT TO RECEIVING WATERS.

8. IS THE RECEIVING BODY OR STREAM OF WATER A NAVIGABLE WATERWAY OF THE UNITED STATES OR A TRIBUTARY THEREOF?
☐ YES ☐ NO IF "NO," PROCEED TO ITEM 9.

A. IF "YES" HAS A U.S. ARMY CORPS OF ENGINEERS DISCHARGE PERMIT BEEN APPLIED FOR? ☐ YES ☐ NO IF "NO," EXPLAIN, THEN PROCEED TO ITEM 9.

B. IF ANSWER TO ITEM 8A IS "YES" HAS A U.S. ARMY CORPS OF ENGINEERS DISCHARGE PERMIT BEEN ISSUED? ☐ YES ☐ NO
(1) IF "YES," ATTACH COPY OR PROVIDE PERMIT NUMBER__________________ OMIT ITEM 9.
(2) IF "NO," EXPLAIN, GIVING DATES OF ANY OFFICIAL ACTION WITH RESPECT TO APPLICATION.

9. IF ITEM 8B HAS NOT BEEN ANSWERED "YES," IDENTIFY APPLICABLE STATE AND LOCAL WATER POLLUTION CONTROL REQUIREMENTS AND STANDARDS.

SECTION E – EMISSION CHARACTERISTICS (To be completed only in connection with facilities for the control of air pollution)

DESCRIBE THE EFFECT OF POLLUTION CONTROL FACILITY IN TERMS OF QUANTITY AND QUALITY OF EMISSION AND OF WASTES OR BY-PRODUCTS REMOVED, ALTERED OR DISPOSED OF. IF FEASIBLE, ATTACH PROCESS FLOW OR SCHEMATIC DIAGRAM WITH MATERIAL BALANCES OF POLLUTANTS IN THE EMISSION STREAM. REPORT EITHER ON ACTUAL BASIS, OR, IF FACILITY IS NOT YET IN OPERATION, ON DESIGN BASIS.

1. HOURS PLANT OR PROPERTY IS IN OPERATION:
a. Per Month: Min. _____ Max. _____ Avg. _____
b. Per Year: Min. _____ Max. _____ Avg. _____

2. POLLUTANTS TO BE CONTROLLED *(Specify each)*	a. b. c. d.	
3. VOLUMETRIC FLOW RATE OF EMISSION *(actual cubic feet/minute)*	WITHOUT POLLUTION CONTROL FACILITY	WITH POLLUTION CONTROL FACILITY
	Min. _____ Max. _____ Avg. _____ at _____ °F	Min. _____ Max. _____ Avg. _____ at _____ °F
4. CONCENTRATION *(in volume % of gaseous components)*	a. Min. _____ Max. _____ Avg. _____ at _____ °F	Min. _____ Max. _____ Avg. _____ at _____ °F
	b. Min. _____ Max. _____ Avg. _____ at _____ °F	Min. _____ Max. _____ Avg. _____ at _____ °F
	c. Min. _____ Max. _____ Avg. _____ at _____ °F	Min. _____ Max. _____ Avg. _____ at _____ °F
	d. Min. _____ Max. _____ Avg. _____ at _____ °F	Min. _____ Max. _____ Avg. _____ at _____ °F
5. CONCENTRATION *(grains/cubic feet of all particulate matter)*	Min. _____ Max. _____ Avg. _____ at _____ °F	Min. _____ Max. _____ Avg. _____ at _____ °F
6. CONCENTRATION *(grains/cubic feet of any specific particulate listed in E-2 above)*	Min. _____ Max. _____ Avg. _____ at _____ °F	Min. _____ Max. _____ Avg. _____ at _____ °F

ORIGINAL

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7. DESCRIBE METHODS OF DETERMINING RATES, CONCENTRATION AND CHARACTERISTICS OF EMISSIONS.

8. IDENTIFY APPLICABLE STATE AND LOCAL AIR POLLUTION CONTROL REQUIREMENTS AND STANDARDS.

SECTION F – COST INFORMATION (See Note to instructions for this section)

1. IS THERE ANY BY-PRODUCT OR MATERIAL WHICH, WITHOUT THE CONTROL FACILITY, WOULD BE LOST AND WHICH IS RECOVERED THROUGH THE USE OF THE FACILITY? ☐ YES ☐ NO

A. IF YES, IDENTIFY

B. INDICATE THE DISPOSITION OF EACH TYPE OF RECOVERED MATERIAL, INCLUDING IF APPLICABLE, THE SALE OR SIMILAR DISPOSITION OF RECLAIMED OR RECOVERED MATERIAL TO INDUSTRIAL WASTE RECOVERY FIRMS OR OTHERS.

2. ANNUAL COST RECOVERY	A. MATERIAL RECOVERED AND SOLD	$
	B. OTHER	$
	C. TOTAL	$
3. TOTAL AVERAGE ANNUAL MAINTENANCE AND OPERATING COSTS *(Not applicable if no cost recovery is reported in Item 2)*		$

ORIGINAL

FORM APPROVED
OMB NO. 158-R0013

ENVIRONMENTAL PROTECTION AGENCY **NOTICE OF STATE CERTIFICATION** (Pursuant to Section 169 of the Internal Revenue Code of 1954, as amended)	STATE
	WATER OR AIR POLLUTION CONTROL AGENCY OR AUTHORITY

It is hereby certified that the control facility described in the attached application is in conformity with State and local programs and requirements for the control of ☐ water pollution ☐ air pollution, as required by section 169 of the Internal Revenue Code of 1954, as amended, and regulations issued thereunder. According to the applicant, this control facility ☐ was placed ☐ will be placed in operation on , 19

In the case of control facility not yet in operation, this notice is certification only that the control facility, if constructed and operated in accordance with the application, will be in conformity with State and local programs or requirements for abatement or control of water or air pollution.

1. NAME OF APPLICANT	2. PERSON AUTHORIZED TO RECEIVE CERTIFICATION
ADDRESS *(Street, City, State, Zip Code)*	TITLE
	ADDRESS *(Street, City, State, Zip Code)*

3. DESCRIPTION OF CONTROL FACILITY

4. LOCATION OF CONTROL FACILITY *(Street, City, State, Zip Code)*	5. RECEIVING BODY OR STREAM OF WATER, IF ANY

6. USE OF THE CONTROL FACILITY CERTIFIED HEREBY IS IN CONFORMITY WITH THE FOLLOWING APPLICABLE STATE PLAN OR REQUIREMENTS FOR THE CONTROL OF ☐ WATER POLLUTION ☐ AIR POLLUTION.

ISSUED THIS ___ DAY OF ______________________ 19____	SIGNED *(Official of State Agency)*
STATE CERTIFICATION NUMBER	TITLE

EPA Form 3300-2 (9-71)

FORM APPROVED
OMB NO. 158-R0013

ENVIRONMENTAL PROTECTION AGENCY

NOTICE OF FEDERAL CERTIFICATION

(Pursuant to Section 169 of the Internal Revenue Code of 1954, as amended)

PLEASE TAKE NOTICE that pursuant to section 169 of the Internal Revenue Code of 1954, as amended, and Part 602 of Title 18 of the Code of Federal Regulations, the control facility identified herein

☐ Is certified

☐ Will, if constructed, reconstructed, acquired, erected, installed and operated in accordance with the accompanying application, be certified

as being in compliance with the applicable regulations of Federal agencies and the general policies of the United States for cooperation with the States in the prevention and abatement of ☐ water pollution ☐ air pollution under the Federal Water Pollution Control Act, as amended (33 U.S.C. 1151 et seq.) or the Clean Air Act, as amended (42 U.S.C. 1857 et seq.). This certification is based on facts furnished by the applicant, and is valid for purposes of section 169 only to the extent that such facts are complete and accurate.

1. NAME OF APPLICANT

ADDRESS *(Street, City, State, Zip Code)*

2. EMPLOYER IDENTIFICATION NUMBER

3. PERSON AUTHORIZED TO RECEIVE CERTIFICATION:

NAME

ADDRESS *(Street, City, State, Zip Code)*

TITLE

4. DESCRIPTION OF CONTROL FACILITY

5. LOCATION OF CONTROL FACILITY *(Street, City, State, Zip Code)*

6. EFFLUENT DISCHARGED TO

7. THE CONTROL FACILITY IDENTIFIED HEREIN ☐ DOES ☐ DOES NOT GENERATE PROFITS THROUGH THE RECOVERY AND SALES OF WASTES, OR OTHERWISE.

8. THE CONTROL FACILITY IDENTIFIED HEREIN ☐ IS ☐ IS NOT A BUILDING THE ONLY FUNCTION OF WHICH IS THE ABATEMENT OR CONTROL OF POLLUTION, AS DETERMINED IN ACCORDANCE WITH SECTION 1.169-2 (2) (i) OF THE INCOME TAX REGULATIONS.

9.
☐ A. THE CONTROL FACILITY IDENTIFIED HEREIN IS USED ONLY IN CONNECTION WITH PLANTS OR PROPERTIES THAT WERE IN SERVICE ON OR BEFORE DECEMBER 31, 1968.

☐ B. _____% OF THE AMORTIZABLE BASIS OF THE FACILITY IS ALLOCABLE TO ITS USE IN CONNECTION WITH PLANTS OR PROPERTIES THAT WERE IN SERVICE ON OR BEFORE DECEMBER 31, 1968.

10.
☐ A. THE CONTROL FACILITY PERFORMS NO FUNCTION IN ADDITION TO THE ABATEMENT OR CONTROL OF POLLUTION.

☐ B. _____% OF THE AMORTIZABLE BASIS OF THE CONTROL FACILITY IS ALLOCABLE TO THE ABATEMENT OR CONTROL OF POLLUTION.

ISSUED

THIS _____ DAY OF _______________, 19____

SIGNATURE

STATE CERTIFICATION NUMBER

TITLE

EPA Form 3[illegible] (3-71)

APPENDIX B

federal register

TUESDAY, FEBRUARY 8, 1977

PART II

THE NATIONAL ARCHIVES OF THE UNITED STATES • 1934 •

ENVIRONMENTAL PROTECTION AGENCY

Federal Water Pollution Control

■

SMALL BUSINESS CONCERNS; FINAL RULEMAKING

Title 40—Protection of Environment

CHAPTER I—ENVIRONMENTAL PROTECTION AGENCY

SUBCHAPTER A—GENERAL

[FRL 599–1]

PART 21—SMALL BUSINESS

Final Rulemaking

Notice is hereby given that the Environmental Protection Agency intends to amend and make final Subchapter A, Chapter I, Title 40, CFR Part 21, to implement section 8 of the Federal Water Pollution Control Act Amendments of 1972 (Pub. L. 92–500). This part was published in interim final form on August 16, 1974, 39 FR page 29692. The Small Business Administration under 15 U.S.C. 636, is authorized to make loans to assist small business concerns in adding to or altering their equipment, facilities, or methods of operation to meet Federal or State water pollution control requirements established under the Federal Water Pollution Control Act. A prerequisite to receiving such a loan is a written statement issued by the Environmental Protection Agency or (if appropriate) a State, certifying that the additions, alterations, or methods of operation are "necessary and adequate" to comply with pollution control requirements established pursuant to the Act. These regulations describe the uniform rules for issuing such statements.

Small business concerns may be eligible for an SBA loan if the additions, alterations, or methods of operation necessary for pollution control result from their engaging in one or more of the following activities:

1. The business has a discharge requiring permitting under section 402 of the Act.
2. The business discharges into a publicly owned treatment works which requires pretreatment by the business.
3. The business plans to discharge into a municipal sewer system through the construction of a lateral or interceptor sewer.
4. The business is subject to the requirements of a State or areawide authority for controlling the disposal of pollutants that may affect groundwater.
5. The business requires a Corp of Engineers permit for dredged or fill material.
6. The business is subject to Coast Guard or State requirements regarding the standard of performance of marine sanitation devices controlling sewage from vessels.
7. The business is implementing a plan to control or prevent the discharge or spill of oil or other hazardous substances.

Additionally an applicant for a certification statement must meet eligibility standards set forth by the Small Business Administration. SBA small business size standards are set out in the FEDERAL REGISTER, Volume 40, No. 13, January 20, 1975, title 13, Chapter I, part 123. These standards will be amended as appropriate from time to time.

EPA's role under these regulations is to determine the necessity and adequacy of the proposed additions or alterations of equipment, facilities, or methods of operation in meeting water pollution control requirements. To receive the requisite statement from EPA, or the State agency which has assumed the program, an applying small business must demonstrate that its activities or discharges will meet the applicable requirements of the Federal Water Pollution Control Act for the particular discharge for which certification is being requested.

An applicant must show that the additions, alterations, or methods of operation for which it is applying for SBA financing are necessary and adequate for compliance with all of the requirements of one or more of such applicable requirements or is in pursuance of a known requirement of the Federal Water Pollution Control Act of 1972.

EPA, at the time of certification, may advise SBA, as well as the applicant, of compliance steps required to meet any other requirements within the specified category of eligibility for which an SBA loan is being applied.

EPA will not determine the cost-effectiveness of the proposed additions or alterations nor will it assess whether or not other more efficient or technically superior alternatives exist. However, EPA will attempt to identify those components of the proposed additions, alterations, or methods of operation which appear to be extraneous to the achievement of the degree of pollution abatement required by an applicable standard.

EPA will not issue statements to applicants for loans to be applied solely to the preparation or undertaking of plans to determine the feasibility of or the design for the anticipated construction. However, this provision does not later preclude SBA financial assistance being utilized for design, plans, and specification work which are a part of the additions, alterations, or methods of operation deemed necessary and adequate by EPA. This exclusion results from the very nature of the activity conducted, in that no determination can be made of the adequacy or necessity of designs, plans, or specifications until they have been finished. EPA will also not certify any addition, alteration, or method or operation for which an SBA loan is not intended to be sought.

The review by EPA will be a technical review, with review of the applicant's eligibility as a small business and for the amount of financial assistance requested to be conducted by SBA. As noted in § 21.13 of these regulations, the certification by EPA or a State for SBA Loan purposes in no way constitutes a determination by EPA or the State that the facilities certified (1) will be constructed within the time specified by an applicable standard or (2) will be constructed and installed in accordance with the plans and specifications submitted in the application, will be operated and maintained properly, or will be applied to process wastes which are the same as described in the application. The certification in no way constitutes a waiver by EPA or a State of its authority to take appropriate enforcement action against the owner or operator of such facilities for violations of an applicable standard.

The application for EPA-issued statements will not generally be subject to public notice or hearings but will be available for public inspection during the period of review by the Regional Administrator or during the period of appeal. However, information adequately identified to the Regional Administrator as being entitled to protection as a trade secret shall be treated confidentially by the Agency. The Regional Administrator shall, when necessary, provide public notice and conduct a public hearing regarding a specific application if he believes that the proposed addition, alteration, or method of operation may adversely affect an interest of the public.

Applicants are reminded that the penalties provided under 18 U.S.C. 1001 and 18 U.S.C. 286 can be applied against individuals who modify, change, or alter any statements as issued, or who submit an application containing false information.

Section 7 of the Small Business Act makes no attempt to apportion responsibilities between the States and EPA. However, provision is made for States, upon application to EPA and approval by EPA, to conduct a program for issuing statements under these regulations. Since many applications for additions, alterations, or methods of operation are designed to meet requirements issued and enforced by the States pursuant to programs under various sections of the Act, States are encouraged to accept the responsibilities for conducting such a program, and may use funds authorized under section 106 of the Act for this purpose.

Applicants will also be subject to separate regulations promulgated by the Small Business Administration with regard to their type of business and financial eligibility and which establish procedures concerning applications to SBA for loan assistance.

This regulation does not apply to requests for loans to assist small businesses in meeting a compliance requirement under the Clean Air Act as authorized by the Small Business Act, section 7(b)(5). A separate program and procedures are established in Title 13—Business Credit and Assistance, Chapter I—Small Business Administration, Part 123—Disaster Loans, in Volume 40, No. 13 of the FEDERAL REGISTER, page 3210D, January 20, 1975, for these loans. The Small Business Administration will coordinate directly with the individual State air pollution control agencies in this regard.

In a proposed form, these regulations were reviewed by other Federal agencies and States. Comments were received from the Departments of Commerce and Interior, the Small Business Administration, and the State of Pennsylvania.

Comments were solicited from the Regions who have had nearly two years experience in the program, as well as from the SBA, the general public, and professional and trade associations. The final regulations reflect those responses.

These final regulations will become effective March 10, 1977.

Dated: January 27, 1977.

JOHN QUARLES,
Acting Administrator.

Sec.

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AUTHORITY: (15 U.S.C. 636), as amended by Pub. L. 92-500.

§ 21.1 Scope.

This part establishes procedures for the issuance by EPA of the statements, referred to in section 7(g) of the Small Business Act and section 8 of the Federal Water Pollution Control Act Amendments of 1972, to the effect that additions to or alterations in the equipment, facilities (including the construction of pretreatment facilities and interceptor sewers), or methods of operations of small business concerns are necessary and adequate to comply with requirements established under the Federal Water Pollution Control Act, 33 U.S.C. 1151, et seq.

§ 21.2 Definitions.

(a) "Small business concern" means a concern defined by section 2[3] of the Small Business Act, 15 U.S.C. 632, 13 CFR Part 121, and regulations of the Small Business Administration promulgated thereunder.

(b) For purposes of paragraph 7(g)(2) of the Small Business Act, "necessary and adequate" refers to additions, alterations, or methods of operation in the absence of which a small business concern could not comply with one or more applicable standards. This can be determined with referenc to design specifications provided by manufacturers, suppliers, or consulting engineers; including, without limitation, additions, alterations, or methods of operation the design specifications of which will provide a measure of treatment or abatement of pollution in excess of that required by the applicable standard.

(c) "Applicable Standard" means any requirement, not subject to an exception under § 21.6, relating to the quality of water containing or potentially containing pollutants, if such requirement is imposed by:

(1) The Act;

(2) EPA regulations promulgated thereunder or permits issued by EPA or a State thereunder;

(3) Regulations by any other Federal Agency promulgated thereunder;

(4) Any State standard or requirement as applicable under section 510 of the Act;

(5) Any requirements necessary to comply with an areawide management plan approved pursuant to section 208 (b) of the Act;

(6) Any requirements necessary to comply with a facilities plan developed under section 201 of the Act (see 35 CFR Subpart E);

(7) Any State regulations or laws controlling the disposal of aqueous pollutants that may affect groundwater.

(d) "Regional Administrator" means the Regional Administrator of EPA for the Region including the State in which the facility or method of operation is located, or his designee.

(e) "Act" means the Federal Water Pollution Control Act, 33 U.S.C. 1151, et seq.

(f) "Pollutant" means dredged spoil, solid waste, incinerator residue, sewage, garbage, sewage sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discarded equipment, rock, sand, cellar dirt and industrial, municipal, and agricultural waste discharged into water. For the purposes of this section, the term also means sewage from vessels within the meaning of section 312 of the Act.

(g) "Permit" means any permit issued by either EPA or a State under the authority of section 402 of the Act; or by the Corps of Engineers under section 404 of the Act.

(h) "State" means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Trust Territory of the Pacific Islands.

Comment: As the SBA does not extend its program to the Canal Zone, the listing of the Canal Zone as a State for the purposes of meeting a requirement imposed by sections 311 or 312 of the Act is not effective in this regulation.

(i) "Statement" means a written approval by EPA, or if appropriate, a State, of the application.

(j) "Facility" means any building, structure, installation or vessel, or portion thereof.

(k) "Construction" means the erection, building, acquisition, alteration, remodeling, modification, improvement, or extension of any facility; *Provided,* That it does not mean preparation or undertaking of: Plans to determine feasibility; engineering, architectural, legal, fiscal, or economic investigations or studies; surveys, design, plans, writings, drawings, specifications or producedures.

Comment: This provision would not later preclude SBA financial assistance being utilized for any planning or design effort conducted previous to construction.

(l) The term "additions and alterations" means the act of undertaking construction of any facility.

(m) The term "methods of operation" means the installation, emplacement, or introduction of materials, including those involved in construction, to achieve a process or procedure to control: Surface water pollution from non-point sources—that is, agricultural, forest practices, mining, construction; ground or surface water pollution from well, subsurface, or surface disposal operations; activities resulting in salt water intrusion; or changes in the movement, flow, or circulation of navigable waters or groundwaters.

(n) The term "vessel" means every description of watercraft or other artificial contrivance used, or capable of being used, as a means of transportation on the navigable waters of the United States, other than a vessel owned or operated by the United States or a State or a political subdivision thereof, or a foreign nation; and is used for commercial purposes by a small business concern.

(o) "EPA" means the Environmental Protection Agency.

(p) "SBA" means the Small Business Administration.

(q) "Areawide agency" means an areawide management agency designated under section 208(c)(1) of the Act.

(r) "Lateral sewer" means a sewer which connects the collector sewer to the interceptor sewer.

(s) "Interceptor sewer" means a sewer whose primary purpose is to transport wastewaters from collector sewers to a treatment facility.

§ 21.3 Submission of applications.

(a) Applications for the statement described in § 21.5 of this part shall be made to the EPA Regional Office for the Region covering tthe State in which the additions, alterations, or methods of operation covered by the application are located. A listing of EPA Regional Offices, with their mailing addresses, and setting forth the States within each Region is us follows:

Region	Address	State
I	Regional Administrator, region I, EPA, John F. Kennedy Federal Bldg., room 2203, Boston, Mass. 02203.	Conneticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.
II	Regional Administrator, region II, EPA, 26 Federal Plaza, room 908, New York, N.Y. 10007.	New Jersey, New York, Virgin Islands, and Puerto Rico.
III	Regional Administrator, region III, EPA, Curtis Bldg., 6th and Walnut Sts., Philadelphia, Pa. 19106.	Delaware, District of Columbia, Pennsylvania, Maryland, Virginia, and West Virginia.
IV	Regional Administrator, region IV, EPA, 345 Courtland St. NE., Atlanta, Ga. 30308.	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.
V	Regional Administrator, region V, EPA, 230 South Dearborn St., Chicago, Ill. 60604.	Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.
VI	Regional Administrator, region VI, EPA, 1201 Elm St., 27th floor, First International Bldg., 70 Dallas, Tex. 75201.	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.
VII	Regional Administrator, region VII, EPA, 1735 Baltimore Ave., Kansas City, Mo. 64108.	Iowa, Kansas, Missouri, and Nebraska.
VIII	Regional Administrator, region VIII, EPA, 1860 Lincoln St., suite 900, Denver, Colo. 80203.	Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming.
IX	Regional Administrator, region IX, EPA, 100 California St., San Francisco, Calif. 94111.	Arizona, California, Hawaii, Nevada, Guam, American Samoa, and Trust Territory of the Pacific Islands.
X	Regional Administrator, region X, EPA, 1200 6th Ave., Seattle, Wash. 98101.	Alaska, Idaho, Oregon, and Washington.

(b) An application described in paragraph (1) of § 21.3(c) may be submitted directly to the appropriate State, where a State has assumed responsibility for issuing the statement. Information on whether EPA has retained responsibility for certification or whether it has been assumed by the State may be obtained from either the appropriate Regional Administrator or the State Water Pollution Control Authority in which the facility is located.

(c) An application need be in no particular form, however, it must be in writing and must include the following:

(1) Name of applicant (including business name, if different) and mailing address. Address of the affected facility or operation, if different, should also be included.

(2) Signature of the owner, partner, or principal executive officer requesting the statement.

(3) The Standard Industrial Classification number for the business for which an application is being submitted. Such SIC number shall be obtained from the Standard Industrial Classification Manual, 1972 edition. If the applicant does not know the SIC for the business, a brief description of the type of business activity being conducted should be provided.

(4) A description of the process or activity generating the pollution to be abated by the additions, alterations, or methods of operation covered by the application, accompanied by a schematic diagram of the major equipment and process, where practicable.

(5) A specific description of the additions, alterations, or methods of operation covered by the application. Where appropriate, such description will include a summary of the facility construction to be undertaken; a listing of the major equipment to be purchased or utilized in the operation of the facility; the purchase of any land or easements necessary to the operation of the facility; and any other items that the applicant deems pertinent. Any information that the applicant considers to be a trade secret shall be identified as such.

(6) A declaration of the requirement, or requirements, for compliance with which the alterations, additions, or methods of operation are claimed to be necessary and adequate.

(i) If the requirement results from a permit issued by EPA or a State under section 402 of the Act, the permit number shall be included.

(ii) If the requirement results from a permit issued by EPA or a State for a publicly owned treatment works, the municipal permit number shall be included along with a written declaration from the authorized agent for the publicly owned treatment works that received the permit detailing the specific pretreatment requirements being placed upon the applicant.

(iii) If the requirement initiates from a plan to include the applicant's effluent in an existing municipal sewer system through the construction of lateral or interceptor sewers, a written declaration from the authorized agent from the publicly owned treatment works shall be included noting that the sewer construction is consistent with the integrity of the system; will not result in the capacity of the publicly owned treatment works being exceeded; and where applicable, is consistent with a facilities plan developed under section 201 of the Act (see 35 CFR Part 907).

(iv) If the requirement results from a State order, regulation, or other enforceable authority controlling pollution from a vessel as provided by section 312(f)(3) of the Act, a written declaration from the authorized agent of the State specifying the control measures being required of the applicant shall be included.

(v) If the requirement is a result of a permit issued by the Corps of Engineers related to permits for dredged or fill material as provided by section 404 of the Act, a copy of the permit as issued shall be included.

(vi) If the requirement results from a standard of performance for control of sewage from vessels as promulgated by the Coast Guard under section 312(b) of the Act, the vessel registration number or documentation number shall be included.

(vii) If the requirement results from a plan to control or prevent the discharge or spill of pollutants as identified in section 311 of the Act, the title and date of that plan shall be included.

(viii) If the requirement is the result of an order by a State or an areawide management agency controlling the disposal of aqueous pollutants so as to protect groundwater, a copy of the order as issued shall be included.

(7) Additionally, if the applicant has received from a State Water Pollution Control Agency a permit issued by the State within the preceding two years, and if such permit was not issued under the authorities of section 402 of the Act, and where the permit directly relates to abatement of the discharge for which a statement is sought, a copy of that permit shall also be included.

Comment: Some States under State permit programs, separate and distinct from the NPDES permit program under the Act, conduct an engineering review of the facilities or equipment that would be used to control pollution. The results of such a review would be materially helpful in determining the necessity and adequacy of any alterations or additions.

(8) Any written information from a manufacturer, supplier or consulting engineer, or similar independent source, concerning the design capabilities of the additions or alterations covered by the application, including any warranties, warranty limitations or certifications obtained from or provided by such sources which would bear upon these design and performance capabilities. The Regional Administrator may waive the requirement for this paragraph if it appears that there is no independent source for the information described herein; as, for example, when the applicant has designed and constructed the additions or alterations with in-house capability.

(9) An estimated schedule for the construction or implementation of the alterations, additions, or methods of operation.

(10) An estimated cost of the alterations, additions, or methods of operation, and where practicable, the individual costs of major elements of the construction to be undertaken.

(11) Information on previously received loan assistance under this section for the facility or method of operation, including a description and dates of the activity funded.

(d) A separate application must be submitted for every addition, alteration, or method of operation that is at a separate geographical location from the initial application.

Comment: As an example, a chain has four dry cleaning establishments scattered through a community. A separate application would have to be filed for each.

(e) No statement shall be approved for any application that has not included the information or declaration requirements imposed by paragraph (c)(6) or § 21.3.

(f) All applications are to be submitted in duplicate.

(g) All applications are subject to the provisions of 18 U.S.C. 1001 regarding prosecution for the making of false statements or the concealing of material facts.

(h) Instructional guidelines to assist in the submission of applications for EPA certification are available from EPA or a certifying State.

§ 21.4 Review of applications.

(a) The Regional Administrator or his designee will conduct a review of the application. This review will consist of a general assessment of the adequacy of the proposed alterations, additions, or methods of operation. The review will corroborate that the proposed alterations, additions, or methods of operation are required by an applicable standard. The review will identify any proposed alterations, additions, or methods of operation that are not required by an applicable standard, or that are extraneous to the achievement of an applicable standard.

(b) The assessment of adequacy will be conducted to ensure that the proposed additions, alterations, or methods of operation are sufficient to meet one or more applicable standards whether alone or in conjunction with other plans. The assessment will not generally examine whether other alternatives exist or which would be more meritorious from a cost-effective, efficiency, or technological standpoint.

(c) An application which proposes additions, alterations, or methods of operation whose design, in anticipation of a future requirement, will achieve a level of performance above the requirements imposed by a presently applicable standard shall be reviewed and approved by EPA or a State without prejudice. The amount of financial assistance for such an application will be determined by SBA.

(d) The Regional Administrator shall retain one copy of the application and a summary of the action taken on it. Upon completion of his review, the Regional Administrator shall return the original application along with any other supporting documents or information provided to the applicant along with a copy to the appropriate SBA district office for processing.

§ 21.5 Issuance of statements.

(a) Upon application by a small business concern pursuant to § 21.3 the Regional Administrator will, if he finds that the additions, alterations, or methods of operation covered by the application are adequate and necessary to comply with an applicable standard, issue a written statement to the applicant to that effect, within 45 working days following receipt of the application, or within 45 working days following receipt of all information required to be submitted pursuant to § 21.3(c), whichever is later. Such a written statement shall be classified as a full approval. If an application is deficient in any respect, with regard to the specifications for submission listed in § 21.3(c), the Regional Administrator shall promptly, but in no event later than 30 working days following receipt of the application, notify the applicant of such deficiency.

(b)(1) If an application contains proposed alterations, additions, or methods of operation that are adequate and necessary to comply with an applicable standard but also contains proposed alterations, additions, or methods of operation that are not necessary to comply with an applicable standard, the Regional Administrator shall conditionally approve the application within the time limit specified in paragraph (a) of this section, and shall also identify in the approval those alterations, additions, or methods of operation that he determines are not necessary.

(2) Conditional approvals as contained in a statement will satisfy the requirements for approval by EPA for those alterations, additions, or methods of operation determined to be necessary and adequate. Such conditional approvals may be submitted to SBA in satisfaction of the requirements of section 7(g)(2)(B) of the Small Business Act.

(3) Conditional approvals will not satisfy the requirements for approval by EPA for those alterations, additions, or methods of operation included in the application that are determined not to be necessary. Unnecessary alterations, additions, or methods of operation are those which are extraneous to the achievement of an applicable standard.

(4) Conditional approvals may be appealed to the Deputy Administrator by an applicant in accordance with the procedures identified in § 21.8.

(c) If the Regional Administrator determines that the additions, alterations, or methods of operation covered by an application are not necessary and adequate to comply with an applicable standard, he shall disapprove the application and shall so advise the applicant of such determination within the time limit specified in paragraph (a) of this section, and shall state in writing the reasons for his determination.

(d) Any application shall be disapproved if the Regional Administrator determines that the proposed addition, alteration, or method of operation would result in the violation of any other requirement of this Act, or of any other Federal or State law or regulation with respect to the protection of the environment.

(e) An application need not demonstrate that its facility or method of operation will meet all applicable requirements established under the Act. The applicant need only demonstrate that the additions, alterations, or methods of operation will assist in ensuring compliance with one or more of the applicable standards for which financial assistance is being requested.

Comment: As an example, a small business has two discharge pipes—one for process water, the other for cooling water. The application for loan assistance is to control pollution from the process water discharge. However, EPA or a State may review the applicant's situation and identify for SBA that the applicant is subject to other requirements for which the applicant has not sought assistance.

(f) An application should not include major alternative designs significantly differing in scope, concept, or capability. It is expected that the applicant at the time of submission will have selected the most appropriate or suitable design for the addition, alteration, or method of operation.

(g) EPA will not provide assistance in the form of engineering, design, planning or other technical services to any applicant in the preparation of his application.

(h) An applicant may be issued a certification for additions, alterations, or methods of operation constructed or undertaken before loan assistance was applied for by the applicant. Any such applications would be reviewed by SBA for eligibility under SBA criteria, including refinancing and loan exposure.

§ 21.6 Exclusions.

(a) Statements shall not be issued for applications in the following areas:

(1) Local requirements. Applications for statements for additions, alterations, or methods or operation that result from requirements imposed by municipalities, counties or other forms of local or Regional authorities and governments, except for areawide management agencies designated and approved under section 208 of the Act, shall not be approved; except for those requirements resulting from the application of pretreatment requirements under section 307(b) of the Act; or those resulting from an approved project for facilities plans, and developed under section 201 of the Act, (See 35 CFR Subpart 3); or under a delegation of authority under the Act.

(2) Cost recovery and user charges. Applications for statements involving a request for financial assistance in meeting revenue and service charges imposed upon a small business by a municipality conforming to regulations governing a user charge or capital cost system under section 204(b)(2) of the Act (See 35 CFR 925-11 and 925-12) shall not be approved.

(3) New facility sewer construction. Applications for statements involving projects that involve the construction of a lateral, collection, or interceptor sewer, at or for a facility that was not in existence on October 18, 1972, shall not be approved. Applications for additions, alterations, or methods of operation for new facilities that do not involve sewer construction are not affected by this preclusion. Further, if an applicant is compelled to move as a result of a relocation requirement but operated at the facility prior to October 18, 1972, the cost of construction for a lateral, collection, or interceptor sewer can be approved for the new, relocated site. For the purpose of this exclusion lateral, collection, or interceptor sewer is determined as any sewer transporting waste from a facility or site to any publicly owned sewer.

(4) Other non-water related pollution abatement additions, alterations, or methods of operation which are not integral to meeting the requirements of the Act, although they may be achieving the requirements of another Federal or State law or regulation.

Comment: An example would be where stack emission controls were required on equipment that operated the water pollution control facility. This emission control equipment as an integral part of the water pollution control system would be approvable. However, emission control equipment for a general purpose incinerator that only incidentally burned sewage sludge would not be approvable. The general purpose incinerator might also receive loan assistance but under separate procedures than those set out for water pollution control.

(5) Privately owned treatment facility service or user costs. Applications for statements involving financial assistance in meeting user cost or fee schedules related to participating in a privately owned treatment facility not under the ownership or control of the applicant shall not be approved.

(6) Operation and maintenance charges. Applications for statements containing a request for financial assistance in meeting the operations and maintenance costs of operating the applicant's additions, alterations, or methods of operation shall not be approved for any elements relating to such areas of cost.

(7) Evidence of financial responsibility. Applications for statements containing a request for financial assistance in meeting any requirements relating to evidence of financial responsibility as provided in section 311(p) of the Act shall not be approved.

§ 21.7 [Reserved]

Comment: Applications for a statement resulting from a requirement to control pollution from non-point sources as identified in section 304(e)(2)(A-F) of the Act and described in § 21.2(m) will not presently be issued a statement under § 21.5 unless the requirement is established through a permit under Section 402. There is no requirement under the current Act that the Federal government directly control pollution from such sources, and the nature and scope of State or areawide management agency proposals or programs to control such sources cannot be determined at this time. As State and areawide plans for control of nonpoint sources being prepared under 208 of the Act, will not be completed for several years, this section is being reserved pending a future determination on the eligibility of applications relating to nonpoint sources to receive a statement under this part.

§ 21.8 Resubmission of application.

(a) A small business concern whose application is disapproved may submit an amended or corrected application to the Regional Administrator at any time. The applicant shall provide the date of any previous application.

§ 21.9 Appeals.

(a) An applicant aggrieved by a determination of a Regional Administrator under § 21.5 may appeal in writing to the Deputy Administrator of the Environmental Protection Agency, within 30 days of the date of the determination from which an appeal is taken; provided that the Deputy Administrator may, on good cause shown, accept an appeal at a later time.

(b) The applicant in requesting such an appeal shall submit to the Deputy Administrator a copy of the complete application as reviewed by the Regional Administrator.

(c) The applicant should also provide information as to why it believes the determination made by the Regional Administrator to be in error.

(d) The Deputy Administrator shall act upon such appeal within 60 days of receipt of any complete application for a review of the determination.

(e) Where a State has been delegated certification authority, the procedure for appeals shall be established in the State submission required in § 21.12.

§ 21.10 Utilization of the statement.

(a) Statements issued by the Regional Administrator will be mailed to the small business applicant and to the district office of the Small Business Administration serving the geographic area where the business is located. It is the responsibility of the applicant to also forward the statement to SBA as part of the application of a loan.

(b) Any statement or determination issued under § 21.5 shall not be altered, modified, changed, or destroyed by any applicant in the course of providing such statement to SBA. To do so can result in the revocation of any approval contained in the statement and subject the applicant to the penalties provided in 18 U.S.C. 1001.

(c) If an application for which a statement is issued under § 21.5 is substantively changed in scope, concept, design, or capability prior to the approval by SBA of the financial assistance requested, the statement as issued shall be revoked. The applicant must resubmit a revised application under § 21.3 and a new review must be conducted. Failure to meet the requirements of this subparagraph could subject the applicant to the penalties specified in 18 U.S.C. 1001 and 18 U.S.C. 286. A substantive change is one which materially affects the performance or capability of the proposed addition, alteration, or method of operation.

(d) An agency, Regional Administrator, or State issuing a statement under § 21.5 shall retain a complete copy of the application for a period of five years after the date of issuance of the statement. The application shall be made available upon request for inspection or use at any time by any agency of the Federal Government.

(e) No application for a statement or for financial assistance under this section or statement issued under this section shall constitute or be construed as suspending, modifying, revising, abrogating or otherwise changing the requirements imposed on the applicant by the terms, conditions, limitations or schedules of compliance contained in an applicable standard, permit, or other provision established or authorized under the Act or any State or local statute, ordinance or code.

(f) No statement as issued and reviewed shall be construed as a waiver to the applicant's fulfilling the requirements of any State or local law, statute, ordinance, or code (including building, health, or zoning codes).

(g) An amended application need not be submitted if the facility, property, or operation for which the statement is issued is sold, leased, rented, or transferred by the applicant to another party prior to approval by SBA of the financial assistance: *Provided*, That there is or will be no substantive change in the scope, concept, design, capability, or conduct of the facility or operation.

Comment: However, eligibility for financial assistance would be reexamined by SBA with regard to any such sales, lease, rental or transfer.

(h) The Regional Administrator may include in any statement a date of expiration, after which date the approval by the Regional Administrator contained in the statement shall no longer apply. The date of expiration shall not become effective if the applicant has submitted the statement to the SBA, prior to the date of expiration, as part of the application for financial assistance.

§ 21.11 Public participation.

(a) Applications shall not generally be subject to public notice, public comment, or public hearings. Applications during the period of review as stated in § 21.5, or during the period of appeal as provided in § 21.8, shall be available for public inspection. Approved applications as provided in § 21.10(d) shall be available for public inspection at all times during the five year period.

(b) The Regional Administrator, if he believes that the addition, alteration, or method of operation may adversely and significantly affect an interest of the public, shall provide for a public notice and/or public hearing on the application. The public notice and/or public hearing shall be conducted in accordance with the procedures specified for a permit under 40 CFR 125.32 and 40 CFR 125.34 (b).

(c) Where the applicant is able to demonstrate to the satisfaction of the Regional Administrator that disclosure of certain information or parts thereof as provided in § 21.3(c)(5) would result in the divulging of methods or processes entitled to protection as trade secrets, the Regional Administrator shall treat the information or the particular part as confidential in accordance with the purposes of section 1905 of Title 18 of the United States Code and not release it to any authorized person. *Provided, however*, That if access to such information is subsequently requested by any person, there will be compliance with the procedures specified in 40 CFR Part 2. Such information may be disclosed to other officers, employees, or authorized representatives of the United States concerned with carrying out the Act or when relevant in any proceeding under the Act.

§ 21.12 State issued statements.

(a) Any State after the effective date of these regulations may submit to the Regional Administrator for his approval an application to conduct a program for issuing statements under this section.

(1) A State submission shall specify the organizational, legal, financial, and administrative resources and procedures that it believes will enable it to conduct the program.

(2) The State program will constitute an equivalent effort to that required by EPA under this section.

(3) The State organization responsible for conducting the program should be the State water pollution control agency, as defined in section 502 of the Act.

(4) The State submission shall propose a procedure for adjudicating applicant appeals as provided under § 21.9.

(5) The State submission shall identify any existing or potential conflicts of interest on the part of any personnel who will or may review or approve applications.

(i) A conflict of interest shall exist where the reviewing official is the spouse of or dependent (as defined in the Tax Code, 26 U.S.C. 152) of an owner, partner, or principal officer of the small business or where he has or is receiving from the small business concern applicant 10 percent of gross personal income for a calendar year, except that it shall mean 50 percent gross personal income for a calendar year if the recipient is over 60 years of age and is receiving such portion pursuant to retirement, pension, or similar arrangements.

(ii) If the State is unable to provide alternative parties to review or approve any application subject to conflict of interest, the Regional Administrator shall review and approve the application.

(b) The Regional Administrator, within 60 days after such application, shall approve any State program that conforms to the requirements of this section. Any such approval shall be after sufficient notice has been provided to the Regional Director of SBA.

(c) If the Regional Administrator disapproves the application, he shall notify the State, in writing, of any deficiency in its application. A State may resubmit an amended application at any later time.

(d) Upon approval of a State submission, EPA will suspend all review of applications and issuance of statements for small businesses in that State, pending transferral. *Provided, however*, That in the event of a State conflict of interest as identified in § 21.12(a)(4) supra, EPA shall review the application and issue the Statement.

(e) Any applications shall, if received by an EPA Regional Office, be forwarded promptly to the appropriate State for action pursuant to section 7(g)(2) of the Small Business Act and these regulations.

(f)(1) EPA will generally not review or approve individual statements issued by a State. However, SBA, upon receipt and review of a State approved statement may request the Regional Administrator of EPA to review the statement. The Regional Administrator, upon such request can further approve or disapprove the State issued statement, in accordance with the requirements of § 21.5.

(2) The Regional Administration will periodically review State program performance. In the event of State program deficiencies the Regional Administrator will notify the State of such deficiencies.

(3) During that period that any State's program is classified as deficient, statements issued by a State shall also be sent to the Regional Administrator for review. The Regional Administrator shall notify the State, the applicant, and the SBA of any determination subsequently made, in accordance with § 21.5 of this part, on any such statement.

(i) If within 60 days after notice of such deficencies has been provided, the State has not taken corrective efforts, and if the deficiencies significantly affect the conduct of the program, the Regional Administrator, after sufficient notice has been provided to the Regional Director of, SBA, shall withdraw the approval of the State program.

(ii) Any State whose program is withdrawn and whose deficiencies have been corrected may later reapply as provided in § 21.12(a).

(g) Funds appropriated under section 106 of the Act may be utilized by a State agency authorized to receive such funds in conducting this program.

§ 21.13 Effect of certification upon authority to enforce applicable standards.

The certification by EPA or a State for SBA Loan purposes in no way constitutes a determination by EPA or the State that the facilities certified (a) will be constructed within the time specified by an applicable standard or (b) will be constructed and installed in accordance with the plans and specifications submitted in the application, will be operated and maintained properly, or will be applied to process wastes which are the same as described in the application. The certification in no way constitutes a waiver by EPA or a State of its authority to take appropriate enforcement action against the owner or operator of such facilities for violations of an applicable standard.

[FR Doc.77-3866 Filed 2-7-77;8:45 am]

APPENDIX C

SBA FIELD OFFICES ADDRESSES AND TELEPHONE NUMBERS

REGION III

RO	Philadelphia	Bala Cynwyd, PA	19004	1 Decker Square, West Lobby, Suite 646	(215)597-3311
DO	Philadelphia	Bala Cynwyd, PA	19004	1 Decker Square, East Lobby, Suite 400	(215)597-3311
BO	Harrisburg	Pennsylvania	17108	7-11 North 2nd Street	(717)782-3825
BO	Wilkes-Barre	Pennsylvania	18701	34 S. Main Street	(717)828-6404
BO	Wilmington	Delaware	19801	844 King Street, Federal Bldg., Rm.3015	(302)571-6294
DO	Baltimore	Towson, MD	21204	7800 York Road	(301)962-3311
DO	Clarksburg	W. VA	26301	109 N. 3rd Street, Rm.301, Lowndes Bldg.	(304)624-3461
BO	Charleston	W. VA	25301	Charleston National Plaza, Suite 628	(304)343-1227
DO	Pittsburgh	Pennsylvania	15222	Federal Bldg., 1000 Liberty Ave. Rm.1401	(412)644-3311
DO	Richmond	Virginia	23240	Federal Bldg., 400 N. 8th Street, Rm.3015	(804)782-2000
DO	Washington	DC	20417	1030 15th Street, NW Suite 250	(202)382-3731

RO - Regional Office

DO - District Office

BO - Branch Office

APPENDIX D

SMALL BUSINESS ADMINISTRATION

APPLICATION FOR LOAN

(See Instructions on Page 2)

SBA LOAN NUMBER

1. APPLICANT (Show official name without abbreviations unless an abbreviation is a part of the official name. For proprietor or partnership, show name(s) followed by d/b/a and trade name used, if any)

Name		Street		
City	County	State	ZIP Code	Tele. No.
Employer's I.D. Number	Date of Application	Amount of Loan Requested	Maturity Requested	
Type of Business		Date Established	Number of Employees (Including subsidiaries and affiliates).	
Franchise ☐ Yes ☐ No If Yes, Submit Copy		☐ Existing Business ☐ New Business	At Time of Application ______ If Loan is Approved ______	

2. Use of Proceeds

Land Acquisition	$ ______	Acquisition and/or repair of machinery and equipment	$ ______
New Building or plant construction	$ ______	Working Capital	$ ______
Debt Payment	$ ______	Other	$ ______
		Total	$ ______

3. SUMMARY OF COLLATERAL OFFERED (Attach detailed list of collateral offered - See Item 8(16), page 2)

	Cost	Net Book Value (Cost Less Depreciation)	Present Liens Or Mortgage Balance, If Any
Land and Buildings			
Business machinery and equipment			
Business furniture and fixtures			
Accounts receivable			
Inventory			
Other (specify)			

4. AS ADDITIONAL SECURITY, PAYMENT OF THE LOAN WILL BE GUARANTEED BY

Name and Address (Include ZIP Code and Social Security Number of Guarantors) (Each principal must submit a signed personal balance sheet as of the same date as the applicant's balance sheet)	Net Worth Outside Of Interest In Applicant Company
	$

5. DISCLOSURE OF SPECIAL INFORMATION REGARDING PRINCIPALS (a) List below the names of any SBA employees or SBA advisory board members who are related by blood, marriage or adoption to, or who have any present or have had any past, direct or indirect, financial interest in or in association with, the applicant, or any of its partners, officers, directors or principal stockholders (such interest to include any direct or indirect financial interest in any other business entity or enterprise). (b) When the proprietor, or any partner, officer, director, or person who holds 10 percent or more of the applicant's stock is an investor in a licensed Small Business Investment Company, or a proposed investor in an SBIC which has filed for a license, detailed information shall be submitted with this application. and (c) Likewise, if any person identified in (b) above, or their spouse, is an employee of the U.S. Government (including members of the armed forces), detailed information shall be submitted with this application. (Use separate sheet if necessary).

If none, check here ☐ (a) ☐ (b) ☐ (c)

Name and Address (Include ZIP Code)	Details of Relationship or Interest

6. MANAGEMENT (1) Names of all owners, officers, directors or partners and their annual compensation, including salaries, fees, withdrawals, etc. (complete all columns). (2) Names and compensation of all employees receiving in excess of $17,500 annually. (3) All stockholders having a 20% or more interest in applicant (complete all columns except annual compensation). (4) Hired manager.

Name (List first, middle, maiden & last.) (If no middle name, so state) Home Address (Include ZIP Code)	Office Held	Annual Compensation	Percent Ownership	Personal Guaranty Offered (Yes or No)	Insurance Carried for Benefit of Applicant*

*Life insurance on owner(s) or principal(s) will be required ONLY when specifically included as a condition of an approved loan.

7. RECENT EFFORTS TO OBTAIN CREDIT (For Direct Loan Applicants Only): The SBA is authorized to make loans to business enterprises only when the financial assistance is not otherwise available on reasonable terms. SBA is also empowered to make loans in cooperation with banks or other lending institutions through agreements to participate on an immediate or guaranty basis. Therefore, applicant must furnish the information required below regarding efforts made within 60 days preceding the filing of this application to obtain credit from banks of other sources. Letters declining to extend credit as well as declining to participate with SBA must be obtained from the following lending institutions: (a) The applicant's bank of account, and (b) if the amount of the loan applied for is in excess of the legal lending limit of the applicant's bank or in excess of the amount that the bank normally lends to any one borrower, then a refusal from a correspondent bank or from any other lending institution whose lending capacity is adequate to cover the loan applied for (c) letters from two banks are required if applicant is located in a city with a population in excess of 200,000. These letters must contain date of application, amount of loan requested and reasons for refusal, and be attached to this application.

CREDIT INFORMATION Applicant expressly authorizes disclosure of all information submitted in connection with this application and any resulting loan to the financial institution agreeing below to participate in such loan or, if none, to its bank(s) of account and (Insert name of other financial institution if desired) ______

PARTICIPATION Will any lending institution participate with SBA in the loan requested? ☐ Yes ☐ No. If "Yes" institution shall execute Application For Participation or Guaranty Agreement at bottom of page 4

PAGE 1 OF 4

SBA FORM 4 (11-71) REF ND 510-1A REPLACES APPLICATION FOR LOAN PARTS OF SBA FORMS 4 PART 1, 4A, 6B, 527, 528A, AND 751 ALL OF WHICH ARE OBSOLETE. ALSO INCORPORATES REQUIREMENTS CONTAINED IN FORMS 394, 652 AND 652B

8. INSTRUCTIONS TO APPLICANT

Direct Loans - Submit one copy of this form and all supporting documents to SBA.

Participation Loans - Submit two copies of this form and all supporting documents to the participating bank.
All attachments must be signed and dated.

(1) SBA Form 912 must be submitted in quadruplicate by the proprietor, if a sole proprietorship, by each partner, if a partnership, by each officer, director, and each holder of 20 percent or more of the voting stock, if a corporation, and other person, including a hired manager, who has authority to speak for and commit the borrower in the management of the business. In addition, applicant must submit a signed copy of SBA Form 641, "Request for Counseling," with the application.

(2) Attach to application a brief description and history of the business.

(3) Comment briefly on the benefits the business will receive if the loan is obtained.

(4) Attach a schedule on all installment debts, contracts, notes and mortgages payable, showing to whom payable, original amount, original date, present balance, rate of interest, maturity date, monthly payment, security and whether current or delinquent. (Amounts on this schedule should agree with the figures on the applicant's financial statement.) Indicate by an asterik (*), items to be paid by loan proceeds and reason for paying same.

(5) If construction is involved, state the estimated cost, source of any additional funds which may be required to complete the construction and whether temporary financing for the construction is available. Furnish preliminary plans and specifications with the application. Final plans and specifications must be submitted for SBA/Lender approval prior to commencement of construction if loan is approved.

(6) Where loan funds will be used for construction purposes, and the contract or subcontracts are in excess of $10,000, the Applicant must execute and submit with the application "Applicant's Agreement of Compliance," SBA Form 601, which is a non-discrimination agreement issued pursuant to Executive Order 11246.

(7) Where purchase of machinery and equipment is involved, furnish a detailed list of items to be purchased and the estimated cost thereof.

(8) For each person listed in "Management" give brief description of education, technical training, employment and business experience.

(9) Attach balance sheets for the past 3 fiscal years.

(10) Attach balance sheet dated within 90 days from date of filing application with aging of accounts receivable and payable.

(11) Attach Profit and Loss Statement for past three fiscal years and for as much of current year as is available. (If operating statements are not available, explain why not and enclose corresponding Federal income tax returns in lieu thereof.) If past earnings do not show ability to repay proposed loan and existing obligations, attach an estimated profit and loss statement for at least one full year.

(12) Reconciliation of net worth shall be provided for items (9) and (10) above.

(13) If new business, furnish earnings projection (estimated profit and loss statement) for at least one full year.

(14) Personal Financial Statements must be submitted for proprietors, each partner, each officer, and each stockholder with 20% or more ownership. (For this purpose the enclosed SBA Form 413 may be used.)

(15) Details must be given of any pending litigation, whether applicant be plantiff or defendant or any litigation that involves management of the applicant.

(16) A description of collateral is required. Attached SBA Forms may be used for this purpose. SBA/Bank may require submission of an appraisal.

(17) SUBSIDIARIES AND AFFILIATES - List on an attached sheet the names and addresses of (1) all concerns that may be regarded as subsidiaries of the applicant, including concerns in which the applicant holds a controlling (but not necessarily a majority) interest, and (2) all other concerns that are in any way affiliated, by stock ownership or otherwise, with the applicant. The applicant should comment briefly regarding the trade relationship between the applicant and such subsidiaries or affiliates, if any, and if the applicant has no subsidiary or affiliate, a statement to this effect should be made. Signed and dated balance sheets, operating statements and reconcilement of net worth must be submitted for all subsidiaries and affiliates.

(18) PURCHASE AND SALES RELATIONS WITH OTHERS - Does applicant buy from, sell to, or use the services of, any concern in which an officer, director, large stockholder, or partner of the applicant has a substantial interest?
☐ Yes ☐ No If "Yes" give names of such officers, directors, stockholders, and partners, and names of any such concern on attached sheet.

(19) RECEIVERSHIP - BANKRUPTCY - Has applicant or any officer of the applicant or affiliates or any other concern with which such officer has been connected ever been in receivership or adjudicated a bankrupt?
☐ Yes ☐ No If "Yes" give names and details on separate sheet.

(20) Previous Government Financing - List assistance received, or requested and refused, and any pending applications.

Name of Agency or Department (including SBA)	Amount Approved or Requested	Date of Approval or Request	Present Balance	Status (Current, Delinquent, Maturity Accelerated)

Reproduced from
best available copy.

9. **POLICY AND REGULATIONS CONCERNING REPRESENTATIVES AND THEIR FEES** An applicant for a loan from SBA may obtain the assistance of any attorney, accountant, engineer, appraiser or other representative to aid him in the preparation of his application to SBA, however, such representation is not mandatory. In the event a loan is approved, the services of an attorney may be necessary to assist in the preparation of closing documents, title abstracts, etc. SBA will allow the payment of reasonable fees or other compensation for services performed by such representatives on behalf of the applicant.

There are no "authorized representatives" of SBA, other than our regular salaried employees. Payment of any fee or gratuity to SBA employees is illegal and will subject the parties to such a transaction to prosecution.

SBA Regulations (Part 103, Sec. 103.13-5(c)) prohibit representatives from charging or proposing to charge any contingent fee for any services performed in connection with an SBA loan unless the amount of such fee bears a necessary and reasonable relationship to the services actually performed, or to charge any fee which is deemed by SBA to be unreasonable for the services actually performed, or to charge for any expenses which are not deemed by SBA to have been necessary in connection with the application. The Regulations (Part 122, Sec. 122.19) also prohibit the payment of any bonus, brokerage fee or commision in connection with SBA loans.

In line with these Regulations SBA will not approve placement or finder's fees for the use or attempted use of influence in obtaining or trying to obtain an SBA loan, or fees based solely upon a percentage of the approved loan or any part thereof.

Fees which will be approved will be limited to reasonable sums for services actually rendered in connection with the application or the closing, based upon the time and effort required, the qualifications of the representative and the nature and extent of the services rendered by such representative. Representatives of loan applicants will be required to execute an agreement as to their compensation for services rendered in connection with said loan.

It is the responsibility of the applicant to set forth in the appropriate section of the application the names of all persons or firms engaged by or on behalf of the applicant. Applicants are required to advise the SBA Field Office in writing of the names and fees of any representatives engaged by the applicant subsequent to the filing of the application.

Any loan applicant having any question concerning the payment of fees, or the reasonableness of fees, should communicate with the Field Office where the application is filed.

10. **NAMES OF ATTORNEYS, ACCOUNTANTS, AND OTHER PARTIES** The names of all attorneys, accountants, appraisers, agents, and all other parties (whether individuals, partnerships, associations or corporations) engaged by or on behalf of the applicant (whether on a salary, retainer or fee basis and regardless of the amount of compensation) for the purpose of rendering professional or other services of any nature whatever to applicant, in connection with the preparation or presentation of this application to Bank in which SBA may participate or any loan to applicant as a result of this application, and all fees or other charges or compensation paid or to be paid therefor or for any purpose in connection with this application or disbursement of the loan whether in money or other property of any kind whatever, by or for the account of the applicant, together with a description of such services rendered or to be rendered, are as follows:

Name and Address (Include ZIP Code)	Description of Services Rendered and to be Rendered	Total Compensation Agreed to be Paid*	Compensation Already Paid*

*Enter specific dollar amounts. "Unknown," "Undetermined" or other imprecise terms are not sufficient.

11. **AGREEMENT OF NONEMPLOYMENT OF SBA PERSONNEL** In consideration of the making by SBA to applicant of all or any part of the loan applied for in this application, applicant hereby agrees with SBA that applicant will not, for a period of two years after disbursement by SBA to applicant of said loan, or any part thereof, employ or tender any office or employment to, or retain for professional services, any person who, on the date of such disbursement, or within one year prior to said date, (a) shall have served as an officer, attorney, agent, or employee of SBA and (b) as such, shall have occupied a position or engaged in activities which SBA shall have determined, or may determine, involve discretion with respect to the granting of assistance under the Small Business Act, or Economic Opportunity Act or said Acts as they may be amended from time to time.

12. **CERTIFICATION,** I hereby certify that

(a) The Applicant has read SBA Policy and Regulations concerning representatives and their fees (#9 above) and has not paid or incurred any obligation to pay, directly or indirectly, any fee or other compensation for obtaining the loan hereby applied for.

(b) The applicant has not paid or incurred any obligation to pay to any Government Employee or special Government employee any fee, gratuity or anything of value for obtaining the assistance hereby applied for. If such fee, gratuity, etc. has been solicited by any such employee, the applicant agrees to report such information to the Office of Security and Investigations, SBA, 1441 L Street, N. W., Washington, D. C. 20416.

(c) All information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of inducing SBA to grant a loan or to participate in a loan by a bank or other lending institution to applicant. Whether or not the loan herein applied for is approved, applicant agrees to pay or reimburse SBA for the cost of any surveys, title or mortgage examinations, appraisals, etc., performed by non-SBA personnel with consent of applicant.

(d) The applicant hereby covenants, promises, agrees and gives herein the Assurance as required by 13 CFR 112.8 and CFR 113.4 that in connection with any loan to applicant which SBA may make, or in which SBA may participate or guaranty as a result of this application, it will comply with the requirements of Parts 112 and 113 of SBA Regulations and Title VI of Civil Rights Act of 1964 to the extent that said Parts 112 and 113 are applicable to such financial assistance, and further agrees that in the event it fails to comply with said applicable Parts 112 and 112, SBA may call, cancel, terminate, accelerate repayment or suspend in whole or in part the financial assistance provided or to be provided by SBA, and that SBA, or the United States Government may take any other action that may be deemed necessary or appropriate to effectuate the nondiscrimination requirements in said Parts 112 and 113, including the right to seek judicial enforcement of the terms of this ASSURANCE OF COMPLIANCE. These requirements prohibit discrimination on the grounds of race, color or national origin by recipients of federal financial assistance, including but not limited to employment practices, and require the submission of appropriate reports and access to books and records; these requirements are applicable to all transferees and successors in interest.

____
(Individual, general partner, trade name or corporation)

Corporate Seal

By ______________________________

Attest ______________________________
(Title)

Title ______________________________

Date Signed ________________________, 19 ____

Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for an applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the SBA, or for the purpose of obtaining money, property, or anything of value, under the Small Business Act, as amended, shall be punished under Section 16(a) of the Small Business Act, as amended, by fine of not more than $5,000 or by imprisonment for not more than two years, or both.

13. APPLICATION FOR PARTICIPATION OR GUARANTY AGREEMENT

Bank Transit No. ____________

(For use only by bank or other financial institution)

We propose to make a (check one):

☐ **Guaranteed loan Bank Share __________%, SBA Share __________%.**

☐ **Immediate participation loan with bank to make and service. Bank Share __________%, SBA Share __________%.**

To the Applicant named on page 1 of this application. We hereby make application for the type of participation agreement checked above subject to the following loan conditions (use separate sheet if necessary):

(1) **Terms and Conditions.**

(a) Term of loan ______ years. Monthly payments, including lender's interest at ______% per annum, simple, in the amount of $____________.

(b) Collateral and lien position.

(c) Guarantors

(d) Insurance: Life, Hazzard, Federal Flood.

(e) Other

(2) **Participation.** SBA prefers that a lender participate beyond the total existing debts owed the lender which are to be refinanced through the loan. Existing obligations owed to the lender may be refinanced through the loan, in accordance with the minimums set forth below, only when the lender certifies in writing that such debt is in good standing (payments and other obligations handled substantially as agreed) and is satisfactory in all respects. Lenders minimum share of a loan shall be:

(a) Guaranty - 10% for SBA loans and as currently applicable for Economic Opportunity Loans.

(b) Immediate Participation - 25% provided the legal lending limit permits. 10% for Economic Opportunity Loans.

(3) **Interest Rate.** Lender may establish its own interest rate provided it is legal and reasonable, subject to SBA's approval. If lender's interest exceeds 8 percent per annum (simple) on a guaranteed loan SBA will pay accrued interest to the date of purchase on its guaranteed portion at the simple annual rate of 8 per cent without any future adjustment for unpaid accrued interest in excess of this effective rate. Lender may use an add-on interest provided (i) State law permits. (ii) the face of the SBA Note shows the principal amount of the actual dollar amount disbursed or to be disbursed to the borrower under the loan and all other SBA documents show this amount of principal. (iii) interest is converted to a simple annual interest rate and such converted rate is shown on all SBA documents other than the note (The add-on interest rate should be specified on the Note, if necessary, to comply with State law, otherwise show the simple interest rate.)

(4) **Comments of the Bank**, which may be in the form of a letter or memorandum, shall:

(a) include an evaluation of ability of Applicant's management, its past record of handling obligations, your expression as to what the loan will do for applicant, applicant's repayment ability, and other pertinent information. If Applicant or any of its officers have been adjudicated a bankrupt or connected with a receivership or been involved in any criminal, or other legal proceedings, give details. Also include an appraisal of the collateral if available and your evaluation of its adequacy to secure the loan.

(b) state whether any officer, director or substantial stockholder of Bank has a financial interest in Applicant and, if so, the extent thereof.

(c) indicate whether Applicant, its subsidiaries or affiliates, is indebted to the Bank, the amount, terms, and how secured, including any guaranties, and whether applicant's loans have been met substantially as agreed. (Include all such loans made during the past 12 months, showing high and low credit by months. If no loans were made during the period, so state.)

(5) Without the participation of SBA to the extent applied for we would not be willing to make this loan. In our opinion, the financial assistance applied for is not otherwise available on reasonable terms.

____
Name and address of bank (Include ZIP Code)
____
____
____

Telephone No. ____________________

Date ____________________, 19______

____
Authorized Officer

PERSONAL FINANCIAL STATEMENT As of ______________________ , 19___.	**Return to:** Small Business Administration	**For SBA Use Only** **SBA Loan No.**

Name and Address, Including ZIP Code *(of person and spouse submitting Statement)* **SOCIAL SECURITY NO.** ______________________	**This statement is submitted in connection with S.B.A. loan requested or granted to the individual or firm, whose name appears below:** **Name and Address of Applicant or Borrower, Including ZIP Code**
Business *(of person submitting Statement)*	

Please answer all questions using "No" or "None" where necessary

ASSETS		**LIABILITIES**	
Cash on Hand & in Banks	$ ________	Accounts Payable	$ ________
Savings Account in Banks	________	Notes Payable to Banks	________
U. S. Government Bonds	________	*(Describe below - Section 2)*	
Accounts & Notes Receivable	________	Notes Payable to Others	________
Life Insurance-Cash Surrender Value Only	________	*(Describe below - Section 2)*	
Other Stocks and Bonds	________	Installment Account *(Auto)*	________
(Describe - reverse side - Section 3)		Monthly Payments $ ________	
Real Estate	________	Installment Accounts *(Other)*	________
(Describe - reverse side - Section 4)		Monthly Payments $ ________	
Automobile - Present Value	________	Loans on Life Insurance	________
Other Personal Property	________	Mortgages on Real Estate	________
(Describe - reverse side - Section 5)		*(Describe - reverse side - Section 4)*	
Other Assets	________	Unpaid Taxes	________
(Describe - reverse side - Section 6)		*(Describe - reverse side - Section 7)*	
		Other Liabilities	________
		(Describe - reverse side - Section 8)	
		Total Liabilities	________
		Net Worth	________
Total	$ ________	Total	$ ________

Section 1. Source of Income *(Describe below all items listed in this Section)*		**CONTINGENT LIABILITIES**	
Salary	$ ________	As Endorser or Co-Maker	$ ________
Net Investment Income	________	Legal Claims and Judgments	________
Real Estate Income	________	Provision for Federal Income Tax	________
Other Income *(Describe)*	________	Other Special Debt	________

Description of items listed in Section I ______________________

Life Insurance Held *(Give face amount of policies - name of company and beneficiaries)* ______________________

SUPPLEMENTARY SCHEDULES

Section 2. Notes Payable to Banks and Others

Name and Address of Holder of Note	Amount of Loan		Terms of Repayments	Maturity of Loan	How Endorsed, Guaranteed, or Secured
	Original Bal.	Present Bal.			
	$	$	$		

Section 3. Other Stocks and Bonds: Give listed and unlisted Stocks and Bonds *(Use separate sheet if necessary)*

No. of Shares	Names of Securities	Cost	Market Value Statement Date	
			Quotation	Amount

Section 4. Real Estate Owned. *(List each parcel separately. Use supplemental sheets if necessary. Each sheet must be identified as a supplement to this statement and signed). (Also advises whether property is covered by title insurance, abstract of title, or both).*

Title is in name of	**Type of property**
Address of property (City and State)	**Original Cost to (me) (us)** \$ ________ **Date Purchased** ________ **Present Market Value** \$ ________ **Tax Assessment Value** \$ ________
Name and Address of Holder of Mortgage (City and State)	**Date of Mortgage** ________ **Original Amount** \$ ________ **Balance** \$ ________ **Maturity** ________ **Terms of Payment** ________

Status of Mortgage, i.e., current or delinquent. If delinquent describe delinquencies

Section 5. Other Personal Property. *(Describe and if any is mortgaged, state name and address of mortgage holder and amount of mortgage, terms of payment and if delinquent, describe delinquency.)*

Section 6. Other Assets. *(Describe)*

Section 7. Unpaid Taxes. *(Describe in detail as to type, to whom payable, when due, amount, and what, if any, property a tax lien, if any, attaches)*

Section 8. Other Liabilities. *(Describe in detail)*

(I) or (We) certify the above and the statements contained in the schedules herein is a true and accurate statement of (my) or (our) financial condition as of the date stated herein. This statement is given for the purpose of: *(Check one of the following)*

☐ Inducing S.B.A. to grant a loan as requested in application, of the individual or firm whose name appears herein, in connection with which this statement is submitted.

☐ Furnishing a statement of (my) or (our) financial condition, pursuant to the terms of the guaranty executed by (me) or (us) at the time S.B.A. granted a loan to the individual or firm, whose name appears herein.

________________ ________________ ____________
Signature **Signature** **Date**

SMALL BUSINESS ADMINISTRATION

REQUEST FOR COUNSELING

I request appropriate management or technical assistance from the Small Business Administration.

It is understood that such assistance will be provided to me free of charge and that I incur no obligation to reimburse SBA or its counselor(s) providing such assistance.

I authorize SBA to furnish information and data concerning me to the counselor(s) providing such assistance.

I understand that the counselor(s) providing assistance to me have agreed that they will not:

(1) recommend the purchase of goods or services from sources in which he has an interest. or represents, and

(2) accept fees or commissions from third parties who have supplied goods or services to me on their recommendations

This request may be withdrawn at any time upon written notice to SBA unless I am an SBA borrower.

In consideration of the furnishing of management and technical assistance to me, I waive all claims against SBA personnel or counselors arising in connection with this assistance.

Type of Service Requested (Check Appropriate Box)

☐ SCORE-ACE ☐ SBI ☐ 406 ☐ Prof. Assoc.

Complete Below and Sign

Name of Company	Telephone
Address (Include ZIP Code)	
Referred to SBA By	Type of Business
Signature and Title of Company Official	Date

SBA FORM 641 (6-75) PREVIOUS EDITIONS ARE OBSOLETE. PLEASE BE SURE TO COMPLETE REVERSE SIDE OF THIS FORM

Data To Be Completed By Applicant

For the assignment of a qualified counselor(s), please complete this questionnaire before returning to SBA. Any information given here or during counseling will be held in strictest confidence. (SBA personnel: insert address of your local office below)

As soon as you have completed this form and returned it to the address given above, a counselor will be assigned to you.

I request counseling regarding (check appropriate boxes):

☐ My present business
☐ Purchasing a business

Year founded ________
No. of employees ________

☐ Starting a new business

☐ Sole Proprietorship
☐ Partnership
☐ Corporation

Kind of business and goods (or services) offered are as indicated below:

☐ Retail (Selling) ________
☐ Service (Kind) ________
☐ Manufacturing (Product) ________
☐ Wholesale (Selling) ________
☐ Other (Specify) ________
Years of experience in this kind of business ________

Can you furnish a recent balance sheet? ☐ Yes ☐ No
Can you furnish a recent profit-and-loss statement? ☐ Yes ☐ No
Have you ever applied for an SBA loan? ☐ Yes ☐ No
Do you now have an SBA loan? ☐ Yes ☐ No

Check the problem areas for which you seek counseling

☐ 1. Sales promotion & advertising
☐ 2. Purchasing
☐ 3. Engineering and research
☐ 4. Financial analysis
☐ 5. Foreign trade
☐ 6. Records & Credit Collections
☐ 7. Market Research
☐ 8. Personnel
☐ 9. Office & Plant Management
☐ 10. Government Procurement
☐ 11. Merchandising, inventory selection & control
☐ 12.
☐ 13.
☐ 14.
☐ 15. Other

If the following information is available please complete, if not, leave blank.

Employer's ID # (IRS)	Social Security Number	Loan Number
Viet. Veteran ☐ Yes ☐ No	Veteran ☐ Yes ☐ No	Name of County

What in your opinion is the greatest problem in your business operation?

GPO 897-939

Return Executed Copies 1, 2 and 3 to SBA

United States of America

SMALL BUSINESS ADMINISTRATION

STATEMENT OF PERSONAL HISTORY

Please Read Carefully - Print or Type

Each member of the small business concern requesting assistance or the development company must submit this form in TRIPLICATE for filing with the SBA application. This form must be filled out and submitted:

1. If a sole proprietorship, by the proprietor.
2. If a partnership, by each partner.
3. If a corporation or a development company, by each officer, director, and additionally, by each holder of 20% or more of the voting stock.
4. Any other person, including a hired manager, who has authority to speak for and commit the borrower in the management of the business.

Name and Address of Applicant (Firm Name)(Street, City, State and ZIP Code)

SBA District Office and City

Amount Applied for

1. Personal Statement of: (State name in full, if no middle name, state (NMN), or if initial only, indicate initial). If married include name of spouse. List all former names used, and dates each name was used. Use separate sheet if necessary.

First Middle Maiden Last

Name of Spouse (Include former married names and maiden name)

2. Date of Birth (Month, day and year)

3. Place of Birth (City & State or Foreign Country)

U.S. Citizen? ☐ yes ☐ no

If no, give alien registration number:

4. Give the percentage of ownership or stock owned or to be owned in the small business concern or the Development Company.

Social Security No.

5. Present residence address City State

From To Address

Immediate past residence address

From To Address

BE SURE TO ANSWER THE NEXT 3 QUESTIONS CORRECTLY BECAUSE THEY ARE IMPORTANT.

THE FACT THAT YOU HAVE AN ARREST OR CONVICTION RECORD WILL NOT NECESSARILY DISQUALIFY YOU. BUT AN INCORRECT ANSWER WILL PROBABLY CAUSE YOUR APPLICATION TO BE TURNED DOWN.

6. Are you presently under indictment, on parole or probation?

☐ Yes ☐ No If yes, furnish details in a separate exhibit. List name(s) under which held, if applicable.

7. Have you ever been charged with or arrested for any criminal offense other than a minor motor vehicle violation?

☐ Yes ☐ No If yes, furnish details in a separate exhibit. List name(s) under which charged, if applicable.

8. Have you ever been convicted of any criminal offense other than a minor motor vehicle violation?

☐ Yes ☐ No If yes, furnish details in a separate exhibit. List name(s) under which convicted, if applicable.

9. Name and address of participating bank

The information on this form will be used in connection with an investigation of your character. Any information you wish to submit, that you feel will expedite this investigation should be set forth.

Whoever makes any statement knowing it to be false, for the purpose of obtaining for himself or for any applicant, any loan, or loan extension by renewal, deferment or otherwise, or for the purpose of obtaining, or influencing SBA toward, anything of value under the Small Business Act, as amended, shall be punished under Section 16(a) of that Act, by a fine of not more than $5000, or by imprisonment for not more than 2 years, or both.

Signature	Title	Date

It is against SBA's policy to provide assistance to persons not of good character and therefore consideration is given to the qualities and personality traits of a person, favorable and unfavorable, relating thereto, including behavior, integrity, candor and disposition toward criminal actions. It is also against SBA's policy to provide assistance not in the best interests of the United States, for example, if there is reason to believe that the effect of such assistance will be to encourage or support, directly or indirectly, activities inimical to the Security of the United States.

SBA FORM 912 (4-75) SOP 50 10 1 PREVIOUS EDITIONS ARE OBSOLETE

1. SBA FILE COPY

Summary of Collateral

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

Name and Address of Applicant: (Include Zip Code) ______

EMPLOYER ID NO.

SBA LOAN NO.

IMPORTANT INSTRUCTIONS FOR PREPARING THE LISTING OF COLLATERAL OFFERED AS SECURITY FOR LOAN

Page 1. Summary Of Collateral Offered By Applicant As Security For The Loan: This is a summarization of the detailed listing on SBA Form 4, Schedule A. If collateral is to be acquired, with proceeds of loan describe the collateral in detail *on an attachment* to Schedule A with the notation "To be acquired".

Show exact cost. If assets were acquired from a predecessor company at a price other than cost less depreciation.

The figures to be entered in the net book value column must agree with the figures shown in the balance sheet, on page 2 of the application, except for the assets, if any, not being offered as collateral and non-business assets, if any, which are being offered to secure guarantees.

If a recent appraisal has been made of the collateral offered, it should be submitted with the application.

Any leases on land and buildings must be described, giving date and term of lease, rental, name and address of owner.

Page 2. Real Estate:

Item 1 - Land And Improvements: (a) legal description from deed on the land - location - city where deed is recorded. Book and page numbers of Official Records. Describe the land improvements such as paving, utilities, fence, etc. (b) cost of land when purchased.

Item 2 - Buildings: (a) general description, describe each building or structure on the land. Include size, type of construction, number of stories, date erected, use and condition. (b) amount of taxes and the assessed value from tax bills. (c) total amount of income received by owner from rental of the described property. (d) cost of building when purchased.

INADEQUATE OR POORLY PREPARED LOAN APPLICATION AND LISTING OF COLLATERAL ON PAGE 3 WILL CAUSE DELAY IN THE PROCESSING OF LOAN APPLICATIONS.

Page 3 - It is most **IMPORTANT** that applicants make an **ACTUAL PHYSICAL INVENTORY OF THE EQUIPMENT** being offered as collateral. **DO NOT TAKE FROM BOOK RECORDS.** Actually list each in accordance with the classification, e.g.: 1. Machinery and Equipment: 2. Automotive Equipment: 3. Office furniture and equipment: 4. Other—jigs, dies, fixtures, airplanes, etc.

Page 4 - Is a continuation of Equipment being offered.
Group items in accordance with the above classifications

Show: manufacturer or make, model and serial numbers, size, year, whether purchased new, used, or rebuilt.
BE SURE ITEMS LISTED CAN BE **READILY INSPECTED** BY SBA APPRAISERS.

SUMMARY

Item	Cost	Net Book Value	Not to be used by applicant
1. Land and land improvements			
2. Buildings			
3. Machinery and Equipment			
4. Automotive Equipment			
5. Office furniture and equipment			
6. Other			
7. Total			
8. Real and chattel mortgages (Not to be paid from SBA loan req.) Attach details	X X X X		
9. Equity	X X X X		
10. To be acquired (Cost)		X X X X	
11. Total			

THE APPRAISER CERTIFIES that he has personally and thoroughly inspected the collateral as listed in this Report. Furthermore, as of ______ the market values shown in the above Summary are fair and reasonable as of that date. Additional comments are attached to this Report.

SBA Appraiser's Signature

Date of Report

SBA Form 4 Schedule A (8-66) REF ND 510-14 previous editions of sheets 1, 2 and 3 are obsolete.

Real Estate

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

Name and Address of Applicant (include Zip Code)	**Parcel number** ____________	**SBA LOAN No.**
	Title data: ☐ **Title Insurance** ☐ **Abstract** ☐ **Other (indicate)**	
Address of Realty Offered ____________	**Realty in name of** ____________	
	Recorded Book________ **Page**______ **County**________	

1. Land and land improvements (Do not include buildings - see Sec. 2 below)

Cost____________ **date acquired**____________

Legal description (Attach if too long)*

* If available, attach plat survey.

2. Improvements **Cost (If separate from land) $**____________

Building description: List each building separately with brief description and dimensions.

Income if Applicable.

Rent $________ **Month** ☐ **Annually** ☐ **Lease** ☐ ________ **Term.**

Assessed Value

Land ____________

Improvements ____________

Taxes ____________

SBA Form 4 Schedule A (8-66) previous editions are obsolete

Personal Property (Chattels)

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

The following described chattels are located or headquartered at (include Zip Code) ________	EMPLOYER ID NO.
Above location is owned ( ) leased ( )	SBA LOAN NO.

It is most **IMPORTANT** that applicants make an **ACTUAL PHYSICAL INVENTORY OF THE EQUIPMENT** being offered as collateral. **DO NOT TAKE FROM BOOK RECORDS.** Actually list each item in accordance with the classification, e.g.:* 1. Machinery and Equipment 2. Automotive Equipment 3. Office furniture and equipment

4. Other - jigs, dies, fixtures, airplanes, etc.

Show: manufacturer or make, model and serial numbers, size, year, whether purchased new, used or rebuilt.

List chattels at different locations on separate sheets. * Description of ________	Model	Serial Number	New Used Rebuilt	NOT TO BE USED BY APPLICANT	
				Cond.	Market Value
Carry Totals of Each Classification to Page 1 (Summary) Lines 3, 4, 5, and 6.				Total	

INADEQUATE OR POORLY PREPARED LOAN APPLICATION AND LISTING OF COLLATERAL WILL CAUSE DELAY IN THE PROCESSING OF LOAN APPLICATIONS. BE SURE ALL ITEMS CAN BE READILY INSPECTED BY SBA APPRAISER.

I, ________________________ ________________________,

(Signature of owner, partner, or corporation officer) (Title)

of the ____

(Name of Firm)

certify that the above machinery and equipment listing represents an *actual physical inventory* taken on (date) ____________.
Mark items (in column 2) with an asterisk if they are subject to conditional bills of sale or chattel mortgages the balance of which will not be paid off from an SBA loan. Carry total of such balances to line 8, page 1 (Summary).

Continuation of Personal Property (Chattels)

Description of__________________

				NOT TO BE USED BY APPLICANT	
	Model	Serial Number	New Used Rebuilt	Cond.	Market Value
Carry Totals of Each Classification to Page 1 (Summary) Lines 3, 4, 5, and 6				Total	

SBA Form 4 Schedule A (8-66) previous editions are obsolete

SUMMARIZED LIST OF COLLATERAL

Above location is Owned ( ) Leased ( )

It is important that applicants make an Actual Physical Inventory Of the Equipment ing offered as collateral/ Do not take from book records. Actually list each item in cordance with the classification, e.g.: #1. Machinery and equipment 2. Automotive equipment 3. Office furniture and equipment.

Other - jigs, dies, fixtures, airplanes, etc.

Show: Manufacturer or make, model and serial number, size, year, whether purchased new, used or rebuilt.

List Chattels at different locations on separate sheets	Model	Serial Number	New, Used, R built

quate or poorly prepared loan application and listing of collateral will cause delay in e processing of loan applications.

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AUTHORIZATION TO DISCLOSE INFORMATION

The undersigned, applicant for Small Business Administration financial assistance, whether in the form of a direct loan or a participation loan, does expressly authorize Small Business Administration to disclose any or all information submitted by the undersigned in connection with the undersigned's Application for financial assistance to undersigned's bank of account, if any, and to any other financial institution qualified to participate with Small Business Administration, provided, however, that any such disclosure will be solely for the purpose of inducing such financial institution to grant the financial assistance requested either directly or in participation with Small Business Administration.

Executed the __________ day of ________________________, 19___

____

Corporate Seal

By____________________________

Attest:________________________

Title__________________________

SUPPLEMENT TO APPLICATION FOR SMALL LOAN

NAME: ______________________________

LIST NAMES AND ADDRESSES OF YOUR EMPLOYERS FOR THE PAST FIVE YEARS

Present Employer: ____________ (Name) ____________ (Address)

Previous Employer: ____________ (Name) ____________ (Address)

Previous Employer: ____________ (Name) ____________ (Address)

PLEASE INDICATE YOUR MARITAL STATUS BELOW

Married ________ Separated ________ Divorced ________

Single(never married) ________ Number of dependent children ________

LIST NAMES AND ADDRESSES OF CREDIT REFERENCES:

____________ (Name) ____________ (Address) ____________ (Acct. Number)

____________ (Name) ____________ (Address) ____________ (Acct. Number)

____________ (Name) ____________ (Address) ____________ (Acct. Number)

____________ (Name) ____________ (Address) ____________ (Acct. Number)

LIST THE NAME AND ADDRESS OF YOUR NEAREST RELATIVE NOT LIVING WITH YOU

____________ (Name) ____________ (Telephone Number)

____________ (Address)

HAZARD INSURANCE:

List Policies by Name of Insurance Company, type of coverage, amount of coverage and expiration of Policies.

Company	Coverage	Amount	Expiration Date

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APPENDIX E

PILOT PROGRAM GUIDELINES AND PROCEDURES FOR THE POLLUTION CONTROL FINANCING PROGRAM

November 17, 1976

The information contained herein is for the purpose of establishing some basic guidelines and procedures under which to operate a "pilot program" for the pollution control financing program and will be changed from time to time as experience dictates. Final Rules and Regulations will be published for comment at a later date and may or may not take the form outlined in these Guidelines and Procedures.

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I. INTRODUCTION

A. **Background:** Public Law 94-305, effective June 4, amends Part A of the Small Business Investment Act to authorize SBA to guarantee the payments under qualified contracts entered into by existing small business concerns for which there exists a financial or operational disadvantage, for the purpose of acquiring pollution control facilities. The statute specifically provides that the financing of the pollution control facilities may be provided through industrial revenue bonds, issued by a State or political subdivision, on which the interest is exempt from federal income tax under the income Tax Code.

This type of financing has been extensively utilized by large businesses for their financing of pollution control facilities. Essentiall a public entity issues tax exempt revenue bonds on which repayment is based solely on the credit of the business. The payments on and redemption of the bonds are made by a trustee for the public entity from those payments received from the business in fullfillment of its contract between the business and the public entity. The public entity is the nominal owner of the property; the property is conveyed to the business under a lease, lease-purchase, installment sales or similar contract. In addition to the tax exempt advantage, the business can also utilize other tax advantages such as the investment credit and accelerated depreciation.

Because of its generally limited credit history and the small size of its financing requirements, a small business is usually unable to utilize this method of financing. PL 94-305 makes available SBA's guarantee on the payments made by a small business to a public entity so that the small business can take advantage of this type of low cost financing.

B. **Scope:** The primary purpose of using tax exempt industrial revenue bond financing for pollution control facilities is to obtain the most advantageous interest rates and repayment terms possible. Tax exempt bonds may be issued with a sinking fund provision for redemption at particular dates or may be in serial form with varyin maturities up to 25 or 30 years. The interest rate may be the same for the full issue or it may vary according to maturity and market conditions. Discussions with bond underwriters revealed that the interest rate for a bond issue with SBA's guarantee of the underlying payments would be comparable to AAA municipal bond rates.

Most favorable interest rates are generally available only on large bond issues ($5 million and up). Therefore, it is envisioned that the pollution control financing needs for several small businesses would be combined into a single bond issue rather than several small issues. SBA would then provide a guarantee of the payments of each small business on the underlying contract which are assigned (by a public entity - the Issuer) to a trustee. The payment of the bond issue would be tailored to meet the needs of the small businsses involved and the prevailing conditions in the tax exempt market.

While industrial revenue bond financing normally provides for the most favorable repayment terms and the lowest cost to the borrower there are instances where the small business may need a relatively small amount of financing. In those instances where the small business certifies that revenue bond financing is impractical or when the project may not qualify for the tax-exemption, it may be possible that financing could be made ~~available~~ under Section 7(a)(5) or 7(g) of the Small Business Act, or that a guarantee may be provided to a lender under a straight (taxable) loan.

C. Projection of Demand: Available data is sparce on the needs of small business for their pollution control financing. A study conducted for the Environment Protection Agency* estimated that between 38,000 and 56,000 small firms have permits to discharge into streams and rivers. The number of these requiring financing for pollution control can only be guessed at. No similar figures are available on air pollution, but the number is believed to be larger.

The following estimates were developed in 1973 by the SBA and representatives of several bond underwriting firms. No new data is available that would change these estimates. The estimates are based on the assumption that the average financing for a single small business would be $400,000. The information is presented in dollars of bond financing, anticipated number of small businesses and the number of bond issues for the first 2 years of the program after an initial pilot period. Each bond issue is expected to provide the financing for 5 to 10 small businesses.

First Year	Pessimistic	Most Probable	Optimistic
Amount of Financing	$40 million	$100 million	$200 million
No. of Small Businesses	100	250	500
No. of Bond Issues	10-20	25-50	50-100

---

* Alet Associates Inc. "Analysis of Allemate Procedure for certification of Sec. 8 Small Business Water Pollution Control Application" Cambridge, Mass., April 1976.

Second Year	Pessimistic	Probable	Optimis[illegible]ic
Amount of Financing	$100 million	$300 million	$600 millio
No. of Small Businesses	250	750	1500
No. of Bond Issues	25-50	75-150	150-3[illegible]0

Because of the time limitations inherent in the Environmental laws, it is anticipated that applications for financing will be at substantial levels through 1982 and assuming no changes in the laws, the number of applications received should decline rapidly to a point where no new applications are received. At this point, only servicing of outstanding contract will be required. However, because by its nature environmental protection (pollution control) is an ongoing problem, it is difficult to determine at what point there will no longer be a need for SBA's assistance to small business in this area.

II. APPLICATION PROCEDURES

A. Basic Requirements:

The statute requires the SBA guarantee to be for the full amount of the payments due under the qualified contract. The statute also requires the SBA to make a determination that a reasonable expectation exists that the small business concern can meet the conditions and covenants of the underlying qualified contract.

Because of the expected long useful life of pollution control facilities, the term of financing required is also expected to be long. These facilities, by their nature, are non-productive assets of a business, therefore amortization of the loan to finance their purchase must come from existing cash flow.

SBA recognizes that there is substantial risk involved in guarantying 100% of the payments on long-term contracts where the equipment involved is a non-profit making asset. Therefore, the following basic requirements have been established:

(1) Size Determination: The applicant must meet the size standards set forth in Section 121.3-11 of the SBA Rules and Regulations.

(2) Longevity and Profitability: The applicant must have been in business for a minimum of five years, and have a history of profitable operations, on average over the last three fiscal years.

(3) Evidence of Need: The applicant must provide evidence of the need for the pollution control facility (from the state or federal pollution regulatory authority).

(4) Term: The repayment term of the requested guarantee shall not exceed 25 years.

(5) Amount: The amount of payments to be guaranteed shall not exceed $3,000,000.

B. Additional Requirements:

The SBA guarantee under this program extends to the payments due by the small business concern under a qualified contract to acquire a pollution control facility. Therefore, the small business concern is required to submit to the SBA, the Qualified Sponsor, the Issuer or other such designated entity the following additional information:

(1) SBA Form 912 on all officers, directors, holders of 20% or more of the voting stock, all partners and proprietor of the applicant small business.

(2) Annual financial statements for the preceding three fiscal years. (Audited statements are required from those applicants where the guarantee request is $500,000 or greater, and annually from all applicants subsequent to SBA's issuance of its guarantee).

(3) Interim financial statements (not older than 90 days).

(4) Proforma financial statements after giving effect to the financing applied for.

(5) Financial data on all affiliates.

(6) Description of the components and estimated total cost of the pollution control facility to be financed.

(7) A certificate or a copy of the permit to operate from the appropriate pollution regulatory agency that the pollution control facility, when completed in accordance with the plans and specifications, will help prevent, reduce, abate, control noise, air or water pollution or contamination.

(8) An opinion from the consulting engineer responsible for the design of the facility, that the facility when completed will meet the required pollution control standards or regulations.

(9) Evidence that the construction/installation of the facility is on a fixed price basis and the construction/installation and the cost of material and equipment is adequately covered by surety bonds.

(10) The personal guarantee of the applicants principals and/or life insurance for the amount of the contract may be required.

C. Credit Criteria and Requirements:

The statute requires that before SBA can issue its guarantee it must determine that there exists a reasonable expectation that the small business concern will perform the covenants and conditions of the qualified contract. Accordingly, SBA has established certain credit criteria to satisfy this requirement and with which to determine that:

(1) The applicant's general business trends compares favorably to that of its industry.

(2) The proforma cash flow reflects the ability of the applicant not only to meet the obligations under the qualified contract but also the additional debt burden of maintenance and service of the facility.

(3) The proforma cash flow, current ratio, tangible net worth ratio and the "Fixed Obligation Coverage Ratio"*, after consideration of the new financing, are realistically adequate for the applicant to meet its obligations under the financing.

$$\text{*Fixed Obligation Coverage Ratio} = \frac{\text{Net Available Cash Inflow}}{\text{Total Required Cash Payments}}$$

Net Available Cash Inflow:

Add: Net Income After Tax
Interest on Fixed Obligations
Lease Obligations (Real Estate and others)
Depreciation

Less: Fixed Asset Expenditure (Cash Portion)

Total Required Cash Payments:

Add: Interest on Debt
Lease Obligations
Debt Repayments

The Procedures to determine eligibility and creditowrthiness of the applicant business will be a complete review and analysis of the application, financial information, certifications, etc. by the qualified sponsor, the issuer of the bonds and SBA.

In addition to the data and opinions required in Part II of the application, the qualified sponsor (usually the bank of account of the small business), after its review and analysis, will issue an opinion to the Issuer and SBA as to the creditworthiness of the small business in accordance with SBA established credit criteria and requirements. The financial analysis must include the composition and adequacy of the small busines concern's:

1. Annual fixed debt requirement.
2. Past and projected earnings.
3. Working capital sufficiency to support projected
4. Debt to net worth ratio.
5. Realistic cash flow projections to meet bond indebtness and other amortized debt.
6. Economic outlook of the industry of which the small business is a part.
7. Interim financing if required.
8. Estimated construction time of the facility.
9. The age, health and track record of principals (management).
10. The additional financing necessary, if entire amount of purchase not eligible for tax-exemption
11. The likelihood for the need to purchase management and/or technical assistance.

In those situations where appropriate, the qualified sponsor may be required to furnish its opinion of the market value of other collater offered under a forced sale situation (with a list of the existing amount of outstanding liens thereon).

D. The Issuer:

The state, a political subdivision thereof or other public body having the authority to issue revenue bonds will usually be the entity to request SBA's commitment for guarantee. The request from the issuer for the SBA guarantee must be accompanied by the applications and required statements of the small business and the qualified sponsor and must include a copy of the certificate or permit from the appropriate pollution regulatory authority that the facility when completed for each small business involved, will help prevent, reduce, abate, or control noise, air or water pollution or contamination.

E. SBA Commitments:

When the review and analysis procedures have been completed and SBA determines that all criteria have been met, a commitment letter will be issued (usually to the bond issuer) stating the requirements necessary for SBA to issue its guarantee. Generally, the basic requirements will be that, in addition to the information required in the "Issuer's Request for Guarantee Commitment," the Issuer furnishes SBA with a copy of:

E.7

(1) The approved qualified contract between the small business concern and the Issuer-if a lease, a copy of the lease agreement (including ground lease if any).

(2) The initial resolution of the Issuer to provide the financing through tax-exempt revenue bonds.

(3) The Bond Counsel's opinion as to the tax exempt status of the issue.

(4) The Bond Indenture.

(5) The Bond Purchase Agreement.

(6) The certification of the named trustee empowering it to act as Trustee

(7) The Trust Agreement between the Trustee and the Issuer

Upon SBA's issuance of its guarantee, the guarantee fee and the remainder of the application fee is payable to SBA.

III. DETERMINATION OF FEES

A. Guarantee Fee:

The statute provides for the establishment of a revolving fund into which all monies, assets or property received under the program are to be deposited, and from which all expenses and payments on defaults are to be made. While the language of the statute does not require the program to be operated on a self-sustaining basis, the legislative history makes reference to self-supporting, and it is SBA's intent, to the extent practicable, to operate the program on a self-sustaining basis.

The law provides for a guarantee fee which may not exceed 3-1/2% per annum of the minimum annual guaranteed payments under a qualified contract. SBA has determined that the guarantee fee shall be set at the maximum 3-1/2% payable upon issuance of the guarantee. Should experience indicate that a change is necessary, adjustments may be considered at a later date.

B. Processing and Administrative Fees:

The law also permits SBA to fix a uniform fee for processing and administrative expenses in connection with the applications for guarantee under this program. Accordingly, SBA has determined that the processing fee will be charged in accordance with the following schedule:

Amount of Contract Payments Guaranteed	Base Fee	Additional Fee
Up to $500,000	$1,000	---
$500,001 to $1,000,000	$1,000	+ .002 of above $500,000
$1,000,001 to $2,500,000	$2,000	+ .0015 of above $1,000,000
Over 2,500,00	$4,250	+ .001 of above $2,500,000

Each small business application submitted to SBA shall be accompanied by $500 of the above fee, which is not refundable. The remainder of the fee is payable upon request for the issuance of the guarantee.

IV. LOSS MITIGATION

A. Statutory Provisions:

Section 404(d) of the statute contains certain elements for minimizing the financial risk assumed by SBA under its guarantee. Sections 404(d)(1) and (c) provide for an escrow deposit (to be paid by the borrower) of up to 1/4 of the average annual guaranteed payments and requires further that these escrow deposits be utilized for the period such funds are available, to make... "reasonable and diligent efforts to eliminate or minimze losses...."

Section 404(d)(3) provides that any guarantor of the qualified contract will be a successor to the obligor to collect any payments in arrears from the defaulting borrower.

Section 404(d)(4) permits the establishment by SBA of any other provisions it deems necessary for loss mitigation.

Section 404(d)(3) requires SBA to determine that there exists a reasonable expectation that the small business concern will perform the convenants and conditions of the qualified contract.

B. Compliance with the Statute:

1. SBA will require the small business to make a payment, into a escrow account, in an amount equal to 1/4 of the average annual guaranteed payments. This escrow will be held by the trustee under the industrial revenue bond financing, or by a designated depository if the financing is obtained otherwise. The escrow payments may be left on deposit or

invested in securities which are acceptable to the SBA. In the event of default, the escrow deposit and interest earned thereon will be utilized by the trustee to make those payments which are in default and this amount shall be totally exhausted before a claim may be filed with SBA. If no defaults occurs, the escrow deposit plus interest thereon shall be used to make the final payments under the qualified contract.

The guarantee agreement specifies that upon payment of a claim by the SBA, the trustee will provide SBA with appropriate documents which effectively transfer to SBA the trustee's right to legally pursue the defaulting small business for the amount of the claim paid.

2. Other requirements necessary to minimize loss, which are a part of the guarantee agreement and/or the qualified contract, are:

   (a) The trustee must file written notice of default by the borrower within the time required in the qualified contract simultaneously to the borrower and the SBA.

   (b) That upon receipt of the notice of default, SBA either directly or through the qualified sponsor (usually the lender of account) would make an evaluation of the situation to determine the likelihood of a resumption of payments by the borrower.

   (c) That if the loan is not brought current within the time prescribed in the underlying qualified contract, the trustee shall take appropriate action to secure possession of the property and/or any collateral provided under the contract, unless advised in writing by SBA to forego such action.

   (d) That the trustee shall be required:

      a. to provide possession of the repossessed property to to the SBA, and

      b. to accept any successor business as obligee.

   (e) That the SBA may, in specific situations, determine that in order to minimize loss, the small business should maintain possession of the property. In those situations, the SBA may instruct the trustee to forego any action to the trustee onbehalf of the small business.

(f) That the trustee shall take prompt action against any guarantors of the underlying obligation to insure that the borrower's obligation is brought current or fully satisfied.

(g) That claims for defaulted payments, which become due after the escrow funds and/or reserve funds (if any) are exhausted, will be paid by SBA when all the above requirements have been complied with. (If evidence that a failure to comply is not the fault of the trustee, SBA may extend the period for ccompliance and pay the garanteed payments as they become due).

(h) That the small business is required to furnish audited annual financial statements (for the full period of the SBA guarantee) to the qualified sponsor which shall prepare a summary analysis of the statements and the analysis will be forwarded to the SBA within sixty (60) days of receipt by the qualified sponsor.

APPLICATION FOR POLLUTION CONTROL FINANCING GUARANTEE
PART I - SMALL BUSINESS CONCERN

1. **TWO copies of Part I of this application signed by the Applicant along with TWO of c of the documents and exhibits required in Section 9 must be submitted. Omissio of any item will result in delay of processing until the item is received. (Use sepa ate sheets if more space is needed.)**

2. **Applicant:**

Name: ______________________________

Address: ______________________________

City: __________ **County:** __________ **State:** __________ **Zip Code:** __________

Employer I. D. No. (IRS No.) **SIC No. (s):**
No. of employees: __________ **( ) Corporation** **( ) Partnership** **( ) Propriet sh**

Veteran: ( ) Yes ( ) No **Franchise:** ( ) Yes ( ) No **Women Principals:** ( ) Yes ( ) No **Minority: (specify)** __________

Outstanding SBA Loans: ( ) Yes ( ) No (if yes, give Loan Number(s)

____

3. Guarantor (s), (if any)

Name: ______________________________

Address: ______________________________

City: __________ County: __________ State: __________ Zip Code: __________
Relationship to applicant (Relative, stockholder, affiliate, etc.)

____

4. Qualified Sponsor:
Name: __________ Address: __________

City: __________ County: __________ State: __________ Zip Code: __________

____

5. References of Applicant (First Name, Position and Address):

a. Banking (indicate name of contact officer)

____

____

b. Business Suppliers (3 largest accounts)

____

____

c. Major Customers (3 largest, Show % of gross business obtained from each)

____

____

Reproduced from best available copy.

6. Has Applicant ever been a recipient of funds obtained through tax exempt or taxabl revenue bonds for pollution control financing?

☐ Yes ☐ No (if "yes" give details on separate sheet.)

7. Project and Financing Information:

a. Type of Pollution Control to be financed:
☐ Air ☐ Water ☐ Air/Water ☐ Noise ☐ Solid Waste

b. Anticipated Starting Date________________ Estimated Completion Date______

c. Estimated Cost of:

Construction $

Installation $

Materials & Equipment $

Other costs: (list) $

Total Principal $ ______________

d. Estimated annual operating an maintenance costs of the facil equipment $____________

e. Requested repayment terms:
____
____

f. Estimated useful life of the facility/equipment ________
____
____

8. Non-refundable Application Charge Deposit of: $ 500.00 is enclosed; remainder payable upon request for issuance of the SBA guarantee.

9. The following applicable documents and exhibits are enclosed (TWO copies of eaci

☐ a. Financial Statements for the past three (3) fiscal years (audited if the requested guarantee is $500,000 or greater).

☐ b. Interim Financial Statements no more than ninety (90) days old.

☐ c. A brief history of the applicant small business, including type of business, date established, ownership, affiliates, number of employees and the background and experience of key management personnel.

☐ d. Proforma financial statements after giving effect to the financing applied fc

☐ e. Financial data on all affiliates.

☐ f. Current personal Balance Sheet(s) of proposed individual guarantors(s).

☐ g. Financial Statements on proposed corporate or affiliate guarantor(s) for th past three (3) years, also indicate relationship, if any, to applicant.

9. Continued..

[ ] h. Copy of an appraisal of the value of other collateral tendered as additional security for the financing (including the existance and amount of outstanding liens thereon).

[ ] i. SBA Form 912 on officers, 20% or greater stockholders, partners, proprieto

[ ] j. Copy of bid proposals or esitmates including plans and specifications for all construction/installation sork, and cost of materials and equipment connecte with the project.

[ ] k. Evidence from the state or federal authority of the need for the facility, including type of pollution to be controlled.

[ ] l. Discription of the facility's compliance with standards and regulations, including emission and discharge levels.

[ ] m. Copy of an opinion from the consulting engineer/architecht responsible for th design, that the the facility, when completed, will meet the required pollution control standards and regulations.

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10. AGREEMENT OF NONEMPLOYMENT OF SBA PERSONNEL

In consideration of the issuances of the guarantee applied for in this application, applicant hereby agrees that for a period of 2 years after the effective date of the the guarantee, applicant will not employ, or tender any office or employment to, or retain for professional services, any person who, on the effective date of suc guarantee or within one year prior to such date, (a) shall have served as an officer attorney, agent, or employee of SBA and (b) as such, shall have occupied a positi or engaged in activities which SBA shall have determined, or may determine, to involve discretion with respect to the granting of assistance under any laws administered by Small Business Administration or said laws as may be amended from time to time.

---

11. The undersigned applicant agrees that this application is made pursuant to Title IV of the Small Business Investment Act of 1958, as amended, 15 U.S.C. 694-1 and Title 13, Part III, Code of Federal Regulations and that the cited law and regulations shall control transactions between the Small Administration and the applicant, and certifies that:

a. All information conntained in this application and in the documents attached are true and correct to the best knowledge of the applicant and are submitted for the purpose of inducing SBA to guarantee the payments set forth in the approv[illegible] qualified contract for pollution control facilities.

b. No employee of the SBA or any member of SBA advisory board who are related by blood, marriage or adoption, have or have had any past, direct or indirect, financial interest in or in association with, the applicant, or any of its partners, officers, directors or principal stockholders (such interest to include any direct or indirect financial interest in any other business entity or enterprise).

---

12. STANDARDS FOR AUDITED AND UNAUDITED FINANCIAL STATEMENTS:

Financial Statements include three basic statements: Balance Sheet, Income Statement, and Statement of Change in Financial Position. The statements are to be prepared in accordance with Generally Accepted Accounting Principles adopted by the Financial Accounting Standards Board (FASB), and adequate footnote disclosure so as to make the statements not misleading is required.

When audited statements are required, such audits are to be made by an independant auditor in accordance with Generally Accepted Accounting Standards.

13.

Signature (Applicant):______________________ Date:__________________

Title:__________________________________

Whoever makes any statement knowing it to be false for the purpose of obtaining for himself or for any applicant any guarantee or for the purpose of influencing in any way the action of SBA, or for the purpose of obtaining a guarantee under the Small Business Investment Act, as amended, shall be punishable under Section 16(a) of the Small Business Act, as amended by a fine of not more than $5,000 or by imprisonment for not more than two years, or both.

SMALL BUSINESS ADMINISTRATION
Pollution Control Financing
Issuer's Request for Guarantee Commitment

---

1. Issuer (Authority issuing the bonds):

Name: ______________________________

ADDRESS: ______________________________

City: ______________ County ______________ State __________ Zip Code ____

Pollution Regulatory Authority: ( ) Air ( ) Water ( ) Financing
( ) Other Identify ______________________________

Contact Person: ______________ Title ______________ Phone No. ______________

---

2. Estimated Aggregate Amount of Requested Guarantee: $ ______________

3. Estimated Net Interest Cost: ______________ % Per annum.

4. Estimated Maturity Schedule: ______________

5. Name and Address of Trustee: (required prior to issuance of guarantee).

Name: ______________ Address: ______________

City: ______________ State: ______________ Zip Code: ______________

---

6. Name and Address of Underwriter: (required prior to issuance of guarantee)

Name: ______________ Address: ______________

City: ______________ State ______________ Zip Code: ______________

---

7. A copy of the following is attached:

( ) The certificate or permit from the appropriate pollution regulatory authority that t
facility when completed, and/or the equipment when installed for each applicant small
business concern, will meet the required pollution control standards and regulations.

( ) A summary, including the name type of contract (lease or purchase) and the estimate
amount of requested guarantee and repayment terms for each applicant small business

( ) The resolution of the Pollution Control Authority to provide the financing through tax-exempt revenue bonds.

Signature: ______________ Title: ______________ Date: ______________

Part II - QUALIFIED SPONSOR

---

1. Qualified Sponsor:

Name: ______________________________

Address: ______________________________

City: ______________ State: ______________ Zip Code: ______________
Case Officer: Name: ______________________________

Title: ______________ Phone No. ______________

---

2. Applicant (Small Business Concern)

Name: ______________________________

Address: ______________ City: ______________

County: ______________ Zip Code: ______________

---

3. Two copies of the following are enclosed:

[] a. Opinion that the applicant business and its affiliates meet the size standards set forth in Section 121.3-11 of the SBA Rules and Regulations.

[] b. Copy of a summary review of the financial statements of the applicant small business for the last three (3) fiscal years and the interim period (not more than 90 days old).

[] c. Copy of up-to-date credit reports on the applicant small business and all affiliates (not older than 60 days from date of submission).

[] d. Statement of Judgment (signed by two officers, including one senior officer), regarding the applicant's creditworthiness for the financing requested, including an analysis made in accordance with the credit criteria established by SBA.

[] e. Statement of opinion as to the financial or operational disadvantage to the small business applicant.

---

4. The undersigned certifies that the information furnished by the Small Business Concern (Part I, item 9, sections a through h,) named in item 2 of this Part II is and shall remain on file and shall be open at all times to reveiw and/or audit by the Small Business Administration.

Note: (During the pilot program copy of all supporting date shall be forwarded to SBA).

5.

Signature: ______________ Title: ______________ Date: ______________

APPENDIX F

Form Approved; OMB No. 41-R2098

FORM ED-201
(REV. 7-71)

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

APPLICATION FOR COMMERCIAL OR INDUSTRIAL LOAN
(Under Section 202 of Public Law 89-136)

FOR GOVERNMENT USE ONLY

Project number

State

Redevelopment area

Date received

Amount of loan requested
$

Maturity requested

Name and address of applicant *(Street, city, county, state and zip code)*

Telephone No. ______________ Area Code ______________
Communicate with Mr. ______________

1. PROPOSED PROJECT

a. Location *(If other than above)* *(Street, City, County, and State)*

b. This is a *(Check one)*

☐ Completely new business ☐ Expansion of existing facility at the site

☐ Branch facility of an existing business ☐ Restoration of facility destroyed or damaged by fire, etc.

c. Principal products or services

2. BUSINESS

Date Established ______________

a. **Subsidiaries and Affiliates** - List on an attached sheet the names and addresses of all subsidiaries or affiliates.

b. **Dual Interests** - Have the partners, incorporators or shareholders of applicant any financial interest in (1) Vendors of project items or (2) are they prospective customers of applicant's production? ☐ Yes ☐ No

If "Yes," give details.

c. **Receivership - Bankruptcy** - Has applicant or any officer of the applicant or affiliates or any other concern with which such officer has been connected ever been in receivership or adjudicated a bankrupt. *(If "Yes," give names and details on separate sheet).* .... ☐ Yes ☐ No

3. COST OF PROJECT *(Do not include working capital)*

For the purchase or acquisition of: a. Land *(Attach plat)*	$
b. Buildings *(Attach plan and cost estimates)*	
c. Machinery and equipment *(Attach itemized separate schedule and cost estimates)*	
d. Other *(Itemize) (Exclude organizational and promotional fees)*	
e. Contingency	
f. Total	$

4. PROPOSED FINANCING		% of project cost	Terms		
			Years	Interest	
a. EDA *(Maximum 65%)*					$
b. Banks	Name and address				
c. Other private *(Insurance Company, etc.)*	Name and address				
Subordinate funds: d. State or local development organization *(Minimum 5%)*	Name and address				
e. Equity's contribution or loan *(Non-Government source)*					
f. Other					
g. **Total aggregate cost** *(Should agree with Total of Item 3)*		100%			$

4. WORKING CAPITAL *(Please cover fully in an attachment)*	
a. Borrowers funds	$
b. Loans *(Indicate source)*	
c. Other sources	
Total	$

APPLICANT SHOULD IMMEDIATELY NOTIFY EDA OF ANY CHANGE IN OR ADDITION TO THE INFORMATION ABOVE.

6. AS ADDITIONAL SECURITY, PAYMENT OF THE LOAN WILL BE GUARANTEED BY

Name and address of guarantors *(Each principal must submit a signed personal balance sheet as of the same date as the applicant's balance sheet)*	Net worth outside of interest in applicant company
	$

6. WHAT WERE THE RESULTS OF EFFORTS TO OBTAIN OTHER FINANCING?

Name banks or other institutions, give dates, amount and terms of loans applied for, and results, including any alternative financing terms offered. Attach copies of banks or other decline letters evidencing such efforts.

8. OTHER FEDERAL ASSISTANCE. Are you requesting or receiving assistance from the Federal Government for a project which is similar to the one for which assistance is requested in this application?.. ☐ Yes ☐ No

(If "Yes," provide the name(s) of the other Agency(ies) and project number(s) as a separate attachment.)

9. EMPLOYMENT AND OTHER ECONOMIC EFFECTS

NOTE: It is the intent of the Economic Development Act to assist redevelopment areas by the development and expansion of new and existing facilities to create new long-term employment opportunities.

A realistic projection of employment is necessary to the planning of a business as well as for EDA's evaluation of the project. The applicant should include an exhibit with a complete manning table, showing employment by sex and rates of pay.

Subsequent to start of facility operation, information on actual employment will be requested.

a. Current and Projected Employment:

NOTE: Under columns 1, 2, and 3, **monthly entries** must be completed if the facility has been operational at any time during the past 12 months. Under columns 7, 8, and 9, **monthly entries** are required only if the facility will be seasonal in operation. Average per month line or total per year line must be filled in for columns 1 through 9. Potential net gain line must be filled in for columns 7, 8, and 9.

Month/Year	Existing jobs, if any			Anticipated jobs					
	Employment in past 12 months			At start of operations			When fully operational		
	Number		Payroll ($ omit cents)	Number		Payroll ($ omit cents)	Number		Payroll ($ omit cents)
	Male (1)	Female (2)	(3)	Male (4)	Female (5)	(6)	Male (7)	Female (8)	(9)
Jan. 197			$			$			$
Feb. 197									
Mar. 197									
Apr. 197									
May 197									
June 197									
July 197									
Aug. 19									
Sep. 19									
Oct. 197									
Nov. 197									
Dec. 19									
Average per month						$			
Total per year			$						$
Potential net gain			$			$			$ *(Annual)*

b. How soon after start of operations will facility be fully operational?.....................	Years	Months

c. When facility is fully operational:

(1) Industrial		(2) Commercial	(3) Recreational
Maximum number of units of production	Number of shifts	Projected dollar amount of sales	Maximum no. of customer days accommodated

D. Directly related employment anticipated **to be generated** by this project. ***(New, or saved, permanent full-time or full-time equivalent jobs - other than those in the facility which receives or directly benefits from EDA assistance - that can be specifically identified as being dependent for their existence on the EDA assisted facility. This includes loggers and truckers required to supply a new sawmill, increased number of employees of suppliers of raw materials, tourism auxiliary employment, etc. Such employment must be in the redevelopment area or in a redevelopment area immediately contiguous thereto.)*** Describe the categories or types of jobs which would be effected by the EDA assisted facility, and the number in each category or type. If this employment represents an **increase** on the number of existing jobs, show also the number of jobs which existed at time of project application.

e. Will operation of this facility result in a reduction of employment in other facilities now operated by the applicant or its facilities?... ☐ Yes ☐ No

f. Identification number used for this company on Employers Quarterly Federal Tax Return (U.S. Treasury Department 941)

_______________________. ***(If this number does not exist at time of application, it will be provided upon availability.)***

10a. MANAGEMENT - Names of all officers, directors or partners and their annual compensation, including salaries, bonuses, fees, withdrawals, etc. (complete all columns).

Name	Annual compensation	Office held	Percent ownership	Net worth outside of applicant	Insurance carried for benefit of appl.

b. Attach personal history sheet (Supplement 1) giving personal histories of key officers and employees of the company, each director and each holder of 20% or more of the applicant's voting stock, and each officer, partner or proprietor of applicant. **Marital Status** - If not a corporation, give name of spouse for each married partner or owner.

11. NAMES OF ATTORNEYS, ACCOUNTANTS, AND OTHER PARTIES. The names of all attorneys, accountants, appraisers, agents, and all other parties (whether individuals, partnerships, associations or corporations) engaged by or on behalf of the applicant (whether on a salary, retainer or fee basis and regardless of the amount of compensation) for the purpose of rendering professional or other services of any nature whatever to applicant, in connection with the preparation or presentation of this application or with any loan to applicant which EDA may make, or in which EDA may participate, as a result of this application, or such loan or participation; and all fees or other charges or compensation paid or to be paid therefor or for any purpose in connection with this application whether in money or other property of any kind whatever, by or for the account of the applicant, together with a description of such services rendered or to be rendered, are as follows:

Name and address	Description of services rendered and to be rendered	*Total compensation agreed to be paid	*Compensation already paid

*Subject to EDA approval. Compensation contingent upon loan approval is not allowed. In the event of loan approval, EDA forms setting forth details of services performed or to be performed, must be executed by applicant and the parties, if any, listed above.

IT IS NOT REQUIRED THAT AN APPLICANT EMPLOY REPRESENTATIVES IN ORDER TO FILE A LOAN APPLICATION WITH EDA.

12. AGREEMENT OF NONEMPLOYMENT OF EDA PERSONNEL. In consideration of the making by EDA to applicant of all or any part of the loan applied for in this proposal, applicant hereby agrees with EDA, that applicant will not, for a period of two years after disbursement by EDA to applicant of said loan, or any part thereof, employ or tender any office or employment to, or retain for professional services, any person who, on the date of such disbursement, or within one year prior to said date, (a) shall have served as an officer, attorney, agent, or employee of EDA and (b) as such, shall have occupied a position or engaged in activities which EDA shall have determined, or may determine, involve discretion with respect to the granting of assistance under the Economic Development Administration, or said Act as it may be amended from time to time.

13. DISCLOSURE OF ANY FAMILY RELATIONSHIP OR FINANCIAL INTEREST OF ANY EDA EMPLOYEE. List below the names of any EDA employees or advisory board members who are related by blood, marriage or adoption to, or who have any present or have had any past, direct or indirect, financial interest in or in association with, the applicant, or any of its partners, officers, directors or principal stockholders (such interest to include any direct or indirect financial interest in any other business entity or enterprise):

Name and address	Details of relationship or interest

14. CERTIFICATION. **I hereby certify that:**

(a) The Applicant has not paid or incurred any obligation to pay, directly or indirectly, any fee or other compensation for obtaining the loan hereby applied for.

(b) All information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of inducing EDA to make a loan or to participate in a loan by a bank or other lending institution, to applicant. Whether or not the loan herein applied for is approved, applicant agrees to pay or reimburse EDA for the cost of any surveys, title or mortgage examinations, appraisals, etc., performed by non-EDA personnel with consent of applicant.

(Whoever makes any statement, knowing it to be false, on an application for Financial Assistance under the Economic Development Administration is subject to a maximum fine of $10,000 and/or imprisonment of up to five years.)

NOTE - EDA is authorized to disclose any information contained in the application and supporting documents to outside consultants or private lenders on a confidential basis.

____
(Individual, general partner, trade name or corporation)

Corporate Seal

By____________________________________

Attest __________________________________ (Title)

Title ___________________________________

15. CERTIFICATE OF APPROVAL - The undersigned certify that they are officers of an instrumentality of the state or political subdivision in which the project proposed in the foregoing request is to be located and are directly concerned with the problems of economic development in said state or subdivision; that they have considered the qualifications of the applicant in the foregoing request and do for the purpose of qualifying with the requirements of the Economic Development Act approve said applicant; that they have carefully considered the project proposed and in accordance with the provisions of the Economic Development Act do hereby find that said project is consistent with the approved overall program for the economic development of the area and that it is not prohibited by the laws of the state or local political subdivision in which it is to be located.

____________________ (Local Agency)	____________________ (State Agency)
By____________________	By____________________
Title____________________	Title____________________
Date____________________	Date____________________

Note: A Certificate of Non-Relocation and a Certificate of Compliance (Civil Rights Act 1964) must be filed with application.

INSTRUCTIONS FOR GUIDANCE OF APPLICANTS IN PREPARING AN EDA LOAN APPLICATION (FORM ED-201)

The information required by this loan application is the minimum necessary for proper evaluation and is similar to that required by most private banks not having previous knowledge of the applicant. These minimum requirements may be supplemented by any additional data which would be of mutual benefit to the applicant and EDA. If additional space is required for completion of the information requested in the application, or additional data the applicant desires to submit, supplemental attachments should be prepared and submitted in the same number of copies as the application. Do not condense the information furnished at the expense of clarity.

It is recommended that the applicant make full use of the EDA Economic Development Representative for such assistance as may be necessary to complete the application. Administrative, financial and engineering personnel can be made available in case of need. It is not necessary for the applicant to incur the expense of employing outside agents to prepare this application. Applicant should immediately notify EDA of any change in or addition to the information set forth in this application.

A more detailed explanation of the requirements of this application follows:

Item 3 - Cost of Project - Cost of Project relates solely to the acquisition cost of fixed assets and should not include organizational, promotional or other expense in the development of the project.

Item 5 - Working capital - Working Capital sufficient to carry operations into profitable production will be required but is not to be included in project cost.

Item 6 - Guarantees - Where applicants make a relatively small contribution to the cost of a project, EDA may require the individual or corporate principals personally to guarantee repayment of the loan.

Item 9 - Employment - EDA is required to realistically assess the benefits of a proposed project to the area in which it is located. The form is designed to cover projects of varying types: seasonal; recreational; commercial and industrial. A complete manning table, showing employment by sex and rates of pay, planned for the facility when fully operational, is required.

APPENDIX G

UNITED STATES DEPARTMENT OF AGRICULTURE

Form FHA 400-1
(Rev. 6-26-72)

FARMERS HOME ADMINISTRATION

EQUAL OPPORTUNITY AGREEMENT

This agreement, dated .... between

....

(herein called "Recipient" whether one or more) and the Farmers Home Administration, United States Department of Agriculture, pursuant to the rules and regulations of the Secretary of Labor (herein called the 'Secretary') issued under the authority of Executive Order 11246, as amended, witnesseth:

In consideration of financial assistance (whether by a loan, grant, loan guaranty, or other form of financial assistance) made or to be made by the Farmers Home Administration to Recipient, Recipient hereby agrees, if the cash cost of construction work performed by Recipient or a construction contract financed with such financial assistance exceeds $10,000--unless exempted by rules, regulations or orders of the Secretary of Labor issued persuant to Section 204 of Executive Order 11246 of September 24, 1965.

1. To incorporate or cause to be incorporated into any contract for construction work, or modification thereof, subject to the relevant rules, regulations, and orders of the Secretary or of any prior authority that remain in effect, which is paid for in whole or in part with the aid of such financial assistance, the following "Equal Opportunity Clause":

During the performance of this contract, the contractor agrees as follows:

(a) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited, to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Farmers Home Administration setting forth the provisions of this nondiscrimination clause.

(b) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(c) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Farmers Home Administration, advising the said labor union or workers' representative of the contractor's commitments under this agreement as required pursuant to section 202(3)- of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of all rules, regulations and relevant orders of the Secretary of Labor and of any prior authority which remain in effect.

(e) The contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, rules, regulations, and orders, or pursuant thereto, and will permit access to his books, records, and accounts by the Farmers Home Administration, Office of Equal Opportunity, U. S. Department of Agriculture, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the contractor's noncompliance with the Equal Opportunity (Federally Assisted Construction) clause or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government Contracts or Federally Assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as provided by Law.

(g) The contractor will include the provisions of this Equal Opportunity (Federally Assisted Construction) clause in every subcontract or purchase order, unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each such subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the Farmers Home Administration may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Farmers Home Administration, the contractor may request the United States to enter into such litigation to protect the interest of the United States.

2. To be bound by the provisions of the Equal Opportunity Clause in construction work performed by Recipient and paid for in whole or in part with the aid of such financial assistance.

3. To notify all prospective contractors to file the required 'Compliance Statement', Form FHA 400–6, with their bids.

4. Form AD–425, Instructions to Contractors, will accompany the notice of award of the contract.

Bid conditions for all nonexempt Federal and Federally assisted construction contracts require inclusion of the appropriate "Hometown" or "Imposed" plan affirmative action and equal employment opportunity requirements. All bidders must comply with the bid conditions contained in the invitation to be considered responsible bidders and hence eligible for the award.

5. To assist and cooperate actively with the Farmers Home Administration and the Secretary in obtaining the compliance of contractors and subcontractors with the provisions of the Equal Opportunity Clause and the said rules, regulations, and orders, to obtain and furnish to the Farmers Home Administration and the Secretary, Form AD–560, Certification of Nonsegregated Facilities, to submit the Monthly Manpower Utilization Report, Optional Form 66, as required and such other information as they may require for the supervision of such compliance, and to otherwise assist the Farmers Home Administration in the discharge of its primary responsibility for securing compliance.

6. To refrain from entering into any contract, or extension or other modification of a contract, subject to such Executive Order with a contractor debarred from Government contracts or federally assisted construction contracts pursuant to Part II, Subpart D, of such Executive Order or to prior authority; and to carry out such sanctions and penalties for violation of the provisions of the Equal Opportunity Clause as may be imposed upon contractors and subcontractors by the Farmers Home Administration or the Secretary pursuant to such Subpart D.

7. That if Recipient fails or refuses to comply with these undertakings, the Farmers Home Administration may take any or all of the following actions: (a) cancel, terminate, or suspend said financial assistance in whole or in part; (b) refrain from extending any further assistance under the program involved until satisfactory assurance of future compliance has been received from Recipient; and (c) refer the case to the Office of Equal Opportunity, U. S. Department of Agriculture for appropriate action.

Witness the due execution hereof by Recipient on this, the date first above written.

______________________ Recipient	______________________ Recipient
(CORPORATE SEAL)	______________________ Name of Corporate Recipient
Attest: ______________________ Secretary	By ______________________ President

☆GPO–1972–751-990/17

Position 3

Form FHA 449-1
(5-18-73)

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

FORM APPROVED
OMB NO. 40-R3868

APPLICATION FOR LOAN AND GUARANTEE

Employer's I. D. Number

FHA Case Number

1. APPLICANT (Show official name without abbreviations unless an abbreviation is a part of the official name. For proprietor or partnership, show name(s) followed by d/b/a and trade name used, if any)

Name	Street

City	County	State	ZIP Code
Telephone No.	Date of Application	Amount of Loan Requested	Maturity Requested

Type of Enterprise

Franchise ☐ Yes ☐ No If Yes, Submit Copy

☐ Existing Business
☐ New Business

Date Enterprise Established

2. DESCRIPTION OF JOBS (INCLUDE SUBSIDIARIES AND AFFILIATES)

At Time of Application: (If There is an Existing Operation)

Number	Occupation or Skill Type	Average Wage/Employee Including Fringe Benefits
		$
		$
		$
TOTAL		$

If Loan is Approved

		$
		$
		$
TOTAL		$

3. ESTIMATED TAXES TO BE PAID BY PROJECT

	FEDERAL	STATE	LOCAL
Income (Corporate)	$	$	$
Payroll	$	$	$
Excise	$	$	XXX
Real Estate	XXX	$	$
Franchise	XXX	$	$
TOTAL	$	$	$

4. LOCATION OF PROJECT

State

County

Incorporated Community

Related Federal Projects

Name of Project	Project No (if available)	Sponsoring Agency/Location	Present Status

5. Use of Proceeds:

Land Acquisition	$	Acquisition and/or repair of machinery and equipment	$
New Building or plant construction	$		
Debt Payment	$	Other	$
Working Capital	$	Total	$

6. SUMMARY OF COLLATERAL OFFERED (Attach detailed list of collateral offered - See Item 10 (g) page 3

	Cost	Net Book Value (Cost Less Depreciation)	Present Liens Or Mortgage Balance, If Any
Land and Buildings			
Machinery and equipment			
Furniture and fixtures			
Accounts receivable			
Inventory			
Other (specify)			

7. AS ADDITIONAL SECURITY, PAYMENT OF THE LOAN WILL BE GUARANTEED BY:

Name and Address (Include ZIP Code and Social Security Number of Guarantors) (Each principal must submit a signed personal balance sheet as of the same date as the applicant's) (Form FHA 449-5 may be used.)	Net Worth Outside Of Interest In Applicant Company
	$

8. DISCLOSURE OF SPECIAL INFORMATION REGARDING PRINCIPALS: (a) List below the names of any FHA employees who are related by blood, marriage or adoption to, or who have any present or have had any past, direct or indirect, financial interest in or association with, the applicant, or any of its partners, officers, directors or principal stockholders (such interest to include any direct or indirect financial interest in any other business entity or enterprise): (b) When the proprietor, or any partner, officer, director, or their spouse, is an employee of the U. S. Government (including members of the armed forces), detailed information shall be submitted with this application. (Use separate sheet if necessary).

Check boxes if (a) or (b) above is not applicable (a) ☐ (b) ☐

Name and Address (Include ZIP Code)	Details of Relationship or Interest

MANAGEMENT - Enter (a) names of all owners, officers, directors or partners and their annual compensation, including salaries, fees, withdrawals, etc. (b) names and compensations of all employees receiving in excess of $17,500 annually, (c) hired manager, and (d) for all additional stockholders having a 20% or more interest in applicant, complete all columns except annual compensation.

Name (List first, middle, maiden & last.) (If no middle name, so state)	Office Held	Annual Compensation	Percent Ownership	Personal Guaranty Offered (Yes or No)	Insurance Carried for Benefit of Applicant *

INSTRUCTIONS TO APPLICANT (Attachments):

Guaranteed Loans - Submit two copies of this form and all supporting documents to the approved lender. All attachments must be signed and dated.

(a) Form FHA 449-4, Statement of Personal History must be submitted in quadruplicate by the proprietor, if a sole properietorship, by each partner, if a partnership, by each officer; director, and each additional holder of 20 percent or more of the voting stock, if a corporation; and other persons, including a hired manager, who have authority to speak for and commit the borrower in the management of the business.

(b) Attach to application a brief description and history of the business.

(c) Comment briefly on the benefits the business and community will receive if the loan is made.

(d) Attach a schedule on all installment debts, contracts, notes and mortgages payable, showing to whom payable, original amount, original date, present balance, rate of interest, maturity date, monthly or other periodic payments, security and whether current or delinquent. (Amounts on this schedule should agree with the figures on the applicant's financial statement.) Indicate by an asterick (*), items to be paid by loan proceeds and attach statement showing reason for paying same.

(e) If construction is involved, state the estimated cost and source of estimate, source of any additional funds which may be required to complete the construction, and whether temporary financing for the construction is available. Furnish preliminary plans and specifications with the application. Final plans and specifications must be submitted for Lender approval prior to commencement of construction if loan guarantee is tentatively approved.

(f) Where loan funds will be used for construction purposes, and the contract or subcontracts are in excess of $10,000, the Applicant must execute and submit with the application Form FHA 400-1, "Equal Opportunity Agreement" which is a non-discrimination agreement issued pursuant to Executive Order 11246.

(g) A description of collateral is required whether now owned or to be acquired. Attach Form FHA 449-2.

(h) For each person listed in "Management" give brief description of education, technical training, employment and business experience.

(i) Attach audited financial statements for the past 3 fiscal years.

(j) Attach balance sheet and income statements dated within 90 days from date of filing application with aging of accounts receivable and payable.

(k) Reconciliation of net worth shall be provided for items (i) and (j) above.

*Life insurance on owner(s), principal(s), or key man will be required ONLY when specifically included as a condition of an approved loan.

(l) Furnish earnings projection (estimated profit and loss statement) for at least three full years together with a detailed monthly cash flow for the first full year and quarterly cash flow statement for the next two years.

(m) **Personal Financial Statements must be submitted for proprietors, each partner, each officer, and each additional stockholder with 20% or more ownership. For this purpose the enclosed FHA Form 449-5 will be used.**

(n) Details must be given of any pending or anticipated litigation, whether applicant be plantiff or defendant or any litigation that involves management of the applicant listed in "m" above.

(o) Subsidiaries and Affiliates - List on an attached sheet the names and addresses of (1) all concerns that may be regarded as subsidiaries of the applicant, including concern in which the applicant holds a controlling (but not necessarily a majority) interest, and (2) all other concerns that are in any way affiliated, by stock ownership, management contracts, or otherwise, with the applicant. The applicant should comment briefly regarding the trade relationship between the applicant and such subsidiaries or affiliates, if any, and if the applicant has no subsidiary or affiliate, a statement to this effect should be made. Signed and dated balance sheets, operating statements and reconcilement of net worth must be submitted for all subsidiaries and affiliates in the same manner as required of applicant.

(p) Purchase and sales relations with others - Does applicant buy from, sell to, or use the services of, any concern in which an officer, director, large stockholder, or partner, or proprietor of the applicant has a substantial interest? ☐ Yes ☐ No If "Yes" give names of such officer, directors, stockholders, and partners, and names of any such concern on attached sheet.

(q) Receivership - Bankruptcy - Has applicant or any officer of the applicant or affiliates or any other concern with which such officer has been connected ever been in receivership or adjudicated a bankrupt? ☐ Yes ☐ No If "Yes" give names and details on separate sheet.

(r) Previous-Financing - List assistance received, requested, or any pending applications. (Include direct, participation, insured, or guarantee loans and grants from any Federal agency.)

Name of Agency or Department	Amount Requested	Date of Approval(*)	Present Balance	Status (Current, Delinquent, Maturity Accelerated, Liquidated or Paid in Full)
* If not approved write "Declined."				

11. POLICY AND REGULATIONS CONCERNING REPRESENTATIVES AND THEIR FEES –

(a) An applicant for a loan may obtain the assistance of any attorney, engineer, appraiser, or other representative to aid it in the preparation of its application, however, such representation is not mandatory. In the event a loan is approved, the services of an attorney may be necessary to assist in the preparation of closing documents, title examination, etc. Fees or other compensation which FHA considers reasonable for services performed by such representatives on behalf of the applicant may be paid from loan proceeds.

(b) There are no "authorized representatives" of FHA, other than our regular salaried employees. Payment of any fee or gratuity to FHA employees is illegal and will subject the parties to such a transaction to prosecution.

(c) FHA will not approve placement or finder's fees for the use or attempted use of influence in obtaining or trying to obtain a loan, or fees based solely upon a percentage of the approved loan or any part thereof.

(d) Fees which will be approved will be limited to reasonable sums for services actually rendered in connection with the application or the closing, based upon the time and effort required, and the nature and extent of the services rendered by such representative. Representatives of loan applicants will be required to execute an agreement as to their compensation and services to be rendered in connection with the loan.

(e) It is the responsibility of the applicant to set forth in Section 12 of this application the names of all persons or firms engaged by or on behalf of the applicant. Applicants are also required to advise FHA in writing of the names and fees of any representatives engaged by the applicant subsequent to the filing of the application. Failure to so notify FHA constitutes "misrepresentation" and will void FHA's guarantee if lender had knowledge of this omission.

(f) Any applicant having any question concerning the payment of fees, or the reasonableness of fees, should communicate with FHA before the application is filed for a loan guarantee.

12. NAMES OF ATTORNEYS, ACCOUNTANTS, AND OTHER PARTIES. The names of all attorneys, accountants, appraisers, agents, and all other parties (whether individuals, partnerships, associations or corporations) engaged by or on behalf of the applicant (whether on a salary, retainer or fee basis and regardless of the amount of compensation) for the purpose of rendering professional or other services of any nature whatever to applicant, in connection with the preparation or presentation of this application to a lender, and all fees or other charges or compensation paid or to be paid therefor or for any purpose in connection with this application or disbursement of the loan whether in money or other property of any kind whatever, by or for the account of the applicant, together with a description of such services rendered or to be rendered, are as follows:

Name and Address (Include ZIP Code)	Description of Services Rendered and to be Rendered	Total Compensation Agreed to be Paid*	Compensation Already Paid*

13. AGREEMENT OF NONEMPLOYMENT OF FHA PERSONNEL. In consideration of FHA guaranteeing any part of the loan applied for in this application, the applicant hereby agrees with FHA that applicant will not, for a period of two years after date of guarantee of any part of the loan, employ or tender any office or employment to, or retain for professional services, any person who, on the date of such disbursement, or within one year prior to said date, (a) shall have served as an officer, attorney, agent, or employee of FHA and (b) as such, shall have occupied a position or engaged in activities which FHA shall have determined, or may determine, involved discretion with respect to the granting of assistance under the Consolidated Farm and Rural Development Act and other Acts administered by FHA from time to time.

14. CERTIFICATION. The applicant hereby certifies that:

(a) The Applicant has read FHA Policy and Regulations concerning representatives and their fees (11 above) and has not paid or incurred any obligation to pay, directly or indirectly, any fee or other compensation for obtaining the loan hereby applied for, other than for services and expenses authorized pursuant to paragraph 11 above.

(b) The applicant has not paid or incurred any obligation to pay to any Government employee or special Government employee any fee, gratuity or anything of value for obtaining the assistance hereby applied for. If such fee, gratuity, etc. has been solicited by any such employee, the applicant agrees to report such information to the Office of Inspector General, USDA, Washington, D. C. 20250.

(c) All information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of inducing FHA to guarantee a loan by a bank or other lender to the applicant. Whether or not the loan herein applied for is approved, applicant agrees to pay or reimburse the lender for the cost of any surveys, title or mortgage examinations, appraisals, etc., performed by nonlender personnel with consent of the applicant.

(d) The applicant hereby covenants, promises, agrees and gives herein the ASSURANCE that in connection with any loan to applicant which FHA may guarantee as a result of this application, it will COMPLY with the requirements of Executive Order 11246 to the extent that it is applicable to such financial assistance. The applicant further agrees that in the event it fails to comply with said applicable provisions, FHA may cancel, terminate, accelerate repayment of or suspend in whole or in part the financial assistance provided or to be provided by FHA, and that FHA or the United States Government may take any other action that may be deemed necessary or appropriate to effectuate the nondiscrimination requirements, including the right to seek judicial enforcement of the terms of this ASSURANCE OF COMPLIANCE. These requirements prohibit discrimination on the grounds of race, religion, color, sex, or national origin by recipients of federal financial assistance, including but not limited to employment practices, and require the submission of appropriate reports and access to books and records. These requirements are applicable to all transferees and successors in interest.

* Enter specific dollar amounts or hourly rates. "Unknown," "Undetermined" or other imprecise terms are not sufficient.

____
(Individual, general partner, trade name or corporation)

CORPORATE SEAL

By ______________________________

Title ______________________________

Attest ______________________________ Date Signed: ______________________________, 19____
(Title)

Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for an applicant any loan, or guarantee or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of obtaining money, property, or anything of value from the United States of America or an agency thereof under the Consolidated Farm and Rural Development Act, may be subjected to criminal prosecution.

Bank Transit No.

15. REQUEST FOR CONTRACT OF GUARANTEE
(For use only by bank or other lender)

We propose to make and service a loan to the Applicant named on page 1 of this Application. We hereby make application for a Contract of Guarantee subject to the provisions of the applicable Lenders Handbook (B & I). We understand that the prohibition in 11 (b) of the foregoing application against payment of fees or gratuities and the non-employment agreement in paragraph 13 of said application are binding on us.

(a) Terms and Conditions of Loan.

(1) Term of loan________ years. ________ payments, including lender's interest at ________% per annum,

in the amount of $ ______________________________ .

(2) Collateral and lien position.

(3) Planned Disbursements.

(4) Guarantee.

(5) Insurance: Life, Hazard, Federal Flood.

(6) Other

(b) Comments of the Lender which may be in the form of a letter or memorandum, shall:

(1) include an evaluation of ability of Applicant's management, its past record of handling obligations, an expression as to what the loan will do for applicant, applicant's repayment ability, and other pertinent information. If Applicant or any of its officers have been ajudicated bankrupt or connected with a receivership or been involved in any criminal or other legal proceedings, give details.

(2) state whether any officer, director, substantial stockholder, or employee of the Lender has a financial interest in Applicant and, if so, the extent thereof.

(3) indicate whether Applicant, its subsidiaries or affiliates, is/are indebted to the Lender. If so show the amount, terms, and how secured, including any guarantee, and whether applicant's loans have been met substantially as agreed. (Include all such loans made during the past 12 months, showing high and low credit by months. If no loans were made during the period, so state.)

(c) In our opinion, the loan will be sound and it appears that all FHA requirements in the Lenders Handbook can and will be met.

Name and address of bank (Include ZIP Code)

Telephone No. ____________________

Date ____________________ , 19 ______

Authorized Officer

★U. S. GOVERNMENT PRINTING OFFICE: 1975--668526/82 REGION NO. 6

USDA-FHA
Form FHA 449-2
(5-16-73)

FORM APPROVED
OMB NO. 40-R3687

STATEMENT OF COLLATERAL

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND APPRAISER'S VALUATION REPORT

Name and Address of Applicant
Include Zip Code

EMPLOYER ID NO.

FHA CASE NUMBER

SUMMARY COLLATERAL OFFERED

CLASSIFICATION	Cost	Net Book Value	For Use of Appraiser Market Value
1. Land and land improvements			
2. Buildings			
3. Machinery and Equipment			
4. Automotive Equipment			
5. Office Furniture and Equipment			
6. Other			
7. Total Presently Owned Collateral			
8. Real and personal property liens (Not to be paid from loan)	X X X X		
9. Equity in Collateral	X X X X		
10. Collateral to be acquired (Total Cost)		X X X X	
11. Total			

SUMMARY OF COLLATERAL TO BE ACQUIRED

CLASSIFICATION	Exact Cost		For Use of Appraiser Market Value
1. Land Acquisition		X X X X	
2. New Buildings or Plant Construction		X X X X	
3. Acquisition of Machinery and Equipment		X X X X	
4. Acquisition of Automotive Equipment		X X X X	
5. Acquisition of Office Furniture and Equipment		X X X X	
6. Other		X X X X	
7. Total (To Item 10 above)		X X X X	

THE APPRAISER CERTIFIES that he has personally and [illegible] inspected the collateral as listed in this Report, and [illegible] estimated the value of the collateral to be acquired. Furthermore, as of ____________ the market values shown in the above Summaries are fair and reasonable as of that date. Additional comments are attached to this Report.

Date of Report

Date

Appraiser's Signature

REAL ESTATE OWNED

Name and Address of Applicant Include ZIP Code ______	**EMPLOYER ID NO.**
	FHA CASE NUMBER

Parcel number ______ Title data: ☐ Title Insurance ☐ **Abstract**

Address of Realty Offered ______ ☐ Other (indicate)

______ Realty in name of ______

______ Recorded Book ______ Page ______

County ______

1. Land and land improvements (Do not include buildings-see Sec. 2 below) (Land improvements such as paving, utilities, fences, etc.)

Cost ______ Date acquired ______

Legal description (Attach if too long)*

* If available attach plat survey. Total Acres:

2. Buildings (Show square footage of each) Cost (If separate from land) $ ______ Date acquired ______

Building description: List each building separately with brief description including size, type of construction, number of stories, date erected, use, and condition.

Assessed Value

Land ______

Improvements ______

Taxes ______

Rent if Applicable $ ______ ☐ Month ☐ Annually ☐ Lease ______ Term of Lease

Carry Totals to Page 1
(Summary) Lines 1 and 2

REAL ESTATE TO BE ACQUIRED

Name and Address of Applicant Include ZIP Code ______________________________

EMPLOYER ID NO.

FHA CASE NUMBER

Parcel number ______________________ Title data: ☐ Title Insurance ☐ Abstract

Address of Realty Offered ______________________ ☐ Other (indicate)

1. Land and land improvements (Do not include buildings - see Sec. 2 below) (Land improvements such as paving, utilities, fences, water rights, etc.)

   Cost ______________________

   Legal description (Attach if too long)*

* If available, attach plat survey. Total Acres:

2. Buildings (Show square footage of each) Cost (If separate from land) $ ______________________

   Building description*. List each building separately with brief description including size, type of construction, number of stories, date erected, use, and condition.

Assessed Value

Land ______________________

Improvements ______________________

Taxes ______________________

* Identify if existing building or to be constructed

Rent if Applicable. $ ______________ ☐ Month ☐ Annually ☐ Lease ______________ Term of Lease

Carry Forward to Page 1
(Summary) Lines 1 and 2

PERSONAL PROPERTY

(And any fixtures not included with Real Estate or Building on Page 2)

The following described property is located or headquartered at ______________________ Name of Applicant ______________

Include zip code ______________________

Location is owned ☐ Leased ☐ ______________________ FHA CASE NO. ______________

Applicants will make an **ACTUAL PHYSICAL INVENTORY OF THE PERSONAL PROPERTY** being offered as collateral **DO NOT TAKE FROM BOOK RECORDS**. List each item in accordance with the classification numbers on page 1, e.g.

*(3) Machinery and Equipment (4) Automotive Equipment (5) Office furniture and equipment (6) Other for example: jigs, dies, fixtures, appliances, etc. (List property at different locations on separate pages)

Classification No. ____ Item Name Manufacturer-Make	Date Acquired	Model	Serial Number	New Used Rebuilt	COST	NET BOOK VALUE	For Use of Appraiser	
							Cond	Market Value
*Totals of Each Classification to Page 1 (Summary) Lines 3, 4, 5, and 6				Total			XXX	

BE SURE ALL ITEMS CAN BE READILY INSPECTED BY APPRAISER

I, ______________________________________ ______________________
(Name of owner, partner, or corporation officer) Title

of the ______________________________________
(Name of Firm)

Certify [illegible] machinery and equipment listing represents an *actual physical inventory* taken on (date) ______________
Mark items [illegible] with an asterisk if they are subject to conditional bills of sale or liens the balance of which will not be paid off from [illegible] total of such items on line 8, page 1 (Summary).

CONTINUATION OF PERSONAL PROPERTY

(And any fixtures not included with Real Estate or Building on Page 2)

The following described property ______________________

located or headquartered at ______________________

(Include zip code) ______________________

Location is owned ☐ leased ☐

Name of Applicant ______________________

FHA Case No. ______________________

Classification ☐ ______ Item Name Manufacturer-Make	Date Acquired	Model	Serial Number	New Used Rebuilt	COST	NET BOOK VALUE	For Use of Appraiser Cond	Market Value
Carry Totals of Each Classification to Page 1 (Summary Lines 3, 4, 5 and 6)				Total			XXX	

BE SURE ALL ITEMS CAN BE READILY INSPECTED BY APPRAISER

PERSONAL PROPERTY TO BE ACQUIRED
(And any fixtures not included with Real Estate or Building on Page 3)

The following described property is to be located or headquartered at Include zip code	Name of Applicant
	FHA Case No.
Location is owned ☐ leased ☐	

Classification ☐ ______ Item Name-Manufacturer-Make	Date to be Acquired	Model	Capacity	New Used Rebuilt	COST	For Use of Appraiser	
						Cond.	Market Value
Carry Totals of Each Classification to Page 1 (Summary) Lines 3, 4, 5, and 6			Total			XXX	

FORM APPROVED
OMB NO. 40-R3869

USDA-FmHA
Form FmHA 449-4
(Rev. 7-28-75)

STATEMENT OF PERSONAL HISTORY

INSTRUCTIONS: This form must be completed by the proprietor (owner) if the applicant is a sole proprietorship; or by each general and each limited partner if the applicant is a partnership; or by each officer, director, key employee and stockholder holder 20 percent or more of the applicant's voting stock except for those corporations that are listed on a major stock exchange.

Failure to report full, complete and accurate information may result in FmHA's not making or guaranteeing the loan requested.

Name and address of loan applicant (Firm name) (Street, City, State and Zip code)

Employer ID Number

Type of business (Check one)
☐ Sole owner
☐ Partnership
☐ Other (Explain) ______________________
☐ Private corporation (for profit)
☐ Private corporation (non-profit)
☐ Public corporation (non-profit)

1. Personal Statement of: (State name in full, if no middle name, (NMN), or if initial only, indicate initial)

First   Middle   Maiden   Last

Name of Spouse

2. Marital Status ☐ Married ☐ Single ☐ Other

3. a. Place of birth (City and State or foreign country)

b. Date of birth (Month, day, year)

4. Citizen of United States? ☐ Yes ☐ No

5. Social Security No.

6. a. Relationship to Applicant.

b. Give the percentage of ownership or stock owned or to be owned in the applicant.

7. Are you presently under indictment, on parole or probation? If yes furnish details on a separate sheet. ☐ Yes ☐ No

8. Have you ever been charged with or arrested or convicted of any criminal offense other than a minor motor vehicle violation? If yes, furnish details on a separate sheet. ☐ Yes ☐ No

9. Starting with present address, list residence addresses during the last ten years.

Date	Street and number	City	State

10. Starting with present employer list all employers during last ten years.

From	To	Employer	Address

The information on this form will be used in connection with an investigation of your character. Any information you wish to submit, which you feel will expedite this investigation, should be set forth below and on the back of this form, if needed.

Date	Title	Signature

☆U. S. GPO: 1975-0-665-664/1720

Position 3

SDA - FHA
Form FHA 449-5
5-16-73)

FORM APPROVED
OMB NO. 40-R3870

PERSONAL FINANCIAL STATEMENT

As of ____________________ , 19___ .

INSTRUCTIONS: **This form must be completed by the proprietor (owner) if the applicant is a sole proprietorship, or by each general and each limited partner if the applicant is a partnership, or by each officer, each director, each key employee, and each stockholder holding 20% or more of applicant's voting stock, if the applicant is a corporation.**

ame and address of loan applicant (Firm name) (Street, City, State id Zip code) Employer ID Number	Type of business (Check one) ☐ Sole owner ☐ Partnership ☐ Other (Explain) ____________ ☐ Private corporation (for profit) ☐ Private corporation (non-profit) ☐ Public corporation (non-profit)
Name and Address, Including ZIP Code (of person and spouse bmitting Statement)	Business (of person submitting Statement)
	Social Security No. (of person submitting Statement)
nancial Institutions and Account Numbers of person submitting statement	Relationship to Applicant

Please answer all questions using "No" or "None" where necessary

ASSETS		LIABILITIES	
ash on Hand & In Banks	$ ______	Accounts Payable	$ ______
vings Account in Banks	______	Notes Payable to Banks (From Sec. 2)	______
S. Government Bonds	______	Notes Payable to Others (From Sec. 2)	______
Accounts & Notes Receivable	______	Installment Acct. (Auto,) (Pymt. $)	______
fe Insurance-Cash Surrender Value Only	______	Installment Acct. (Other) (Pymt. $)	______
her Stocks and Bonds (From Sec. 3)	______	Loans on Life Insurance	______
Real Estate (From Sec. 4)	______	Mortgages on Real Estate (From Sec. 4)	______
tomobile - Present Value	______	Unpaid Taxes (From Section 7)	______
her Personal Property (From Sec. 5)	______	Other Liabilities (From Section 8)	______
Other Assets (From Sec. 6)	______	Total Liabilities	______
		Net Worth	______
Total Assets	$ ______	Total Liabilities & Net Worth	$ ______

Section 1. Source of Income (Describe below all items listed in this Section)		CONTINGENT LIABILITIES	
lary	$ ______	As Endorser or Co-Maker	$ ______
t Investment Income	______	Legal Claims and Judgments	______
Real Estate Income	______	Provision for Federal Income Tax	______
her Income (Describe)	______	Other Special Debt	______

scription of items listed in Section 1 ____

Life Insurance Held (Give face amount of policies - name of company and beneficiaries) ____________________

SUPPLEMENTARY SCHEDULES

Section 2. Notes Payable to Banks and Others

Name and Address of Holder of Note	Amount of Loan Original Bal.	 Present Bal.	Terms of Repayments	Maturity of Loan	How Endorsed, Guaranteed, or Secured
	$	$	$		

Section 3. Other Stocks and Bonds: Give listed and unlisted Stocks and Bonds (Use separate sheet if necessary)

Face Value or No. of Shares	Names of Securities	Cost	Market Value as of Statement Date Quotation	 Amount

Section 4. Real Estate Owned.

(List each parcel separately. Use supplemental sheets if necessary. Each sheet must be identified as a supplement to this statement and signed.) (Also advise whether property is covered by title insurance, abstract of title, or both).

Title is in name of

Type of property

Address of property (City and State)

Original Cost to (me) (us) $ ____________________

Date Purchased ____________________

Present Market Value $ ____________________

Tax Assessment Value ____________________

Name and Address of Holder of Mortgage (City and State)

Date of Mortgage ____________________

Original Amount $ ____________________

Balance $ ____________________

Maturity ____________________

Terms of Payment ____________________

Status of Mortgage, i.e., current or delinquent. If delinquent describe delinquencies

Section 5. Other Personal Property.

(Describe and if any is mortgaged, state name and address of mortgage holder and amount of mortgage, terms of payment and if delinquent, describe delinquency.)

Section 6. Other Assets. (Describe)

Section 7. Unpaid Taxes. (Describe in detail, as to type, to whom payable, when due, amount, and what, if any, property tax liens exist.)

Section 8. Other Liabilities. (Describe in detail)

(I) or (We) certify the above and the statements contained in the schedules herein is a true and accurate statement of (my) or (our) financial condition as of the date stated herein. This statement is given for the purpose of inducing a lending institution to make a loan as requested in application, of the individual or firm whose name appears here and to induce the United States of America to guarantee a portion of such loan.

Date	Signature	Signature

USDA-FHA
Form FHA 449-10
(5-23-73)

FORM APPROVED
OMB NO. 40-R 3872

APPLICANT'S ENVIRONMENTAL IMPACT EVALUATION

Name and Address of Applicant (Firm Name) (Steet, City, State and Zip Code)	EMPLOYER ID NO.
	FHA CASE NO.

In order to evaluate the specific impact your proposed project will have on the environment, please complete the following items:

Is a Federal waste discharge permit required under the Federal Water Pollution Control Act Amendments of 1972? ☐ Yes ☐ No

If no, complete parts I through VIII. If yes, has an application been made for the permit? ☐ Yes ☐ No

If so, what is the status of that application? ☐ Approved ☐ Pending ☐ Disapproved?

If above application for permit did not cover all facilities in your project please identify those not covered and complete balance of form, as it pertains to those you list. If the application for permit covered all facilities complete Parts I, VI, VII and VIII.

I. GENERAL *(Briefly describe)*:

A. Location of facility - Provide map if possible to show project location and areas which might be affected by the facility.

B. Character of the surrounding area (include terrain, population density, etc.)

C. Type of project (nature of activity)

If your project must conform to approved standards established by the Federal or your state or local environmental protection agencies, please identify for each of Parts II (Air), III (Water), IV (Solid) and V (Other) the appropriate regulating agencies and go on to the next section. If you are not required to conform to such standards, please complete all questions to the best of your knowledge in each part for which standards are not set. You may wish to consult with appropriate State or local agencies in preparing your answers.

II. AIR POLLUTION (include name and address of agencies with cognizance over your project. If you must conform to standards set by these agencies, go on to part III.)

Does this project's:

A. Activities which are likely to produce air pollution such as incinerators, exhaust systems, fossil-fuel burning units, and ventilation systems

B. Methods and sensor equipment for determining the presence, quantity, and type of air pollutants.

C. Concentrations in parts per million (ppm) of air pollutants such as sulfur dioxide, carbon monoxide, nitrogen dioxide, carbon dioxide, etc.

D. Volatile solvents, types, and how used, as well as handling of discharges.

E. Kind of fuel used in combustion and heating: fossil, liquid, gaseous.

F. Control equipment to remove particulates and efficiency of such equipment.

G. Control equipment to remove gaseous pollutants and efficiency of such equipment.

H. Describe any chemicals used to control pollutants that might themselves cause another form of pollution.

I. List other major contributors, current or planned, associated with project and which may affect the quality and quantity of emissions to the air.

III. WATER POLLUTION (include name and address of agencies with cognizance over your project. If you must conform to standards set by these agencies complete questions B and D, then go on to part IV.)

A. Describe activities that are likely to produce water pollution.

B. Describe water pollution control codes and/or regulations applicable to the project.

C. Describe method and sensor equipment used to determine quantity, and/or type of water pollution.

D. What levels (concentrations of the following contaminants to result from your project) do your local water pollution standards permit you to discharge in your sewage and/or waste water?

	Discharge expected from your project	Standard		Discharge expected from your project	Standard
Total solids			Acidity		
Heavy metals			Alkalinity		
Organic carbon			pH (hydrogen ion concentration)		
Chloride			Hardness		
Cyanide			Color		
Grease			Biochemical oxygen demand		
Lignin			Chemical oxygen demand		
Ammonia nitrogen			Dissolved oxygen		
Nitrate nitrogen			Turbidity		
Organic nitrogen			Temperature		
Phenol			Specific gravity		
Phosphorus			Conductance		
Suspended matter			Oil		
Surface Active Agents					

E. Pretreatment facilities: that is, pH neutralizers, oil separators, screens, pre-settling basins, etc.

1. Is a municipality, other local government entity or industry required to have pretreatment facilities? ☐ Yes ☐ No
2. If an industrial borrower or substantial direct beneficiary, what type of pretreatment facilities do you plan?

F. Sanitary sewage discharge *(Check one and describe)*:

☐ Municipal treatment ☐ Septic tank ☐ Local treatment plant
☐ Local body of water ☐ Other ______________________________

G. Industrial waste discharge *(Check one and describe)*:

☐ Municipal treatment plant ☐ Industrial treatment plant ☐ Local body of water
☐ Other ______________________________

H. Are sanitary and industrial waste water drainage flows combined? ☐ Yes ☐ No
Is storm flow combined with one or both? ☐ Yes ☐ No
If one, which?

I. Will the project create a substantial increase in the volume of sewage treated by a given facility? ☐ Yes ☐ No
If yes, identify major contributors and kind of discharge from each.

IV. SOLID WASTE DISPOSAL (include name and address of agencies with cognizance over your project. If you must conform to standards set by these agencies, go on to part V.)

A. Does project produce amounts of solid waste which cannot be readily disposed of? ☐ Yes ☐ No
For example, combustibles such as paper, bags, boxes; noncombustibles such as glass, sand, plastics, salvageable materials, sludges or filter residues, tars or oils, cinders or flyash, or others. If yes, identify the solid wastes.

B. What laws, ordinances, or practices govern solid waste management?

C. How are solid wastes disposed of?

D. Are the equipment and techniques employed adequate for the collection, handling and disposal of solid wastes? ☐ Yes ☐ No
Do they cause noise or dust? ☐ Yes ☐ No

E. Will they accommodate the increased load caused by the project? ☐ Yes ☐ No

V. **OTHER FORMS OF POLLUTION** (these may include, but not be limited to radiation, noise, radio frequency interference, visual):

A. What are they?

B. How severe?

C. Do codes and/or appropriate regulations govern such pollution to be expected from your project? ☐ Yes ☐ No
If "Yes", identify.

. **GENERAL PROJECT EFFECTS**

A. Describe existing land use, such as Industrial, Recreational, Residential, Sound barriers, Commercial, Semi-private, Public, Farm, etc., including any existing zoning classifications.

B. Describe changes in land use.

C. Will the project affect transportation by Highway, Rail, Water or Air? ☐ Yes ☐ No
If yes, how?

D. Will the project affect fish, wild life, water-fowl refuges, beaches, historical sites, forested and scenic areas, etc. ☐ Yes ☐ No

---

II. **PLEASE DESCRIBE THE INDIRECT EFFECTS THE PROPOSED PROJECT IS EXPECTED TO HAVE ON THE ENVIRONMENT.** (In this section include changes which, although brought about by the proposed project, are not caused by the project itself. An access road to serve a proposed industrial park might be included here)

III. **UPON EVALUATION OF THE INFORMATION SUPPLIED ABOVE, OR ON THE BASIS OF INFORMATION SUPPLIED TO THE FEDERAL OR STATE ENVIRONMENTAL PROTECTION AGENCY, PLEASE PROVIDE A BRIEF SUMMARY OF THE ENVIRONMENTAL IMPACT OF THE PROPOSED PROJECT.** The summary shall include a description of the extent to which the project significantly affects the environment, as provided by the National Environmental Quality Act of 1969, including consideration of:

A. The environmental impact of the proposed project.

B. Any adverse environmental effects which cannot be avoided should the proposed project be implemented.

C. Alternatives to the proposed project.

D. The relationship between local short term uses of man's environment and the maintenance and enhancement of long-term productivity, and

E. Any irreversible and irretrievable commitments of resources which would be involved in the proposed project should it be undertaken,

F. Have any questions or objections been raised by any governmental agency, private organization or individual which might indicate that this proposal is, or will become, controversial? ☐ Yes ☐ No
If yes, please describe:

IX. TO BE SIGNED BY APPLICANT.

Date: ______________________

Applicant: ______________________

USDA-FmHA
Form FmHA 449-14
(Rev. 1-2-75)

CONDITIONAL COMMITMENT FOR GUARANTEE

	Case No.
	State
TO: Lender *(Holder)*	County
Lender's Address	Type of Loan
Borrower	Principal Amount of Loan $

From an examination of information supplied by the lender on the above proposed loan, the county committee certification or recommendation if required, and other relevant information deemed necessary, it appears that the transaction can properly be completed.

Therefore, the United States of America acting through the Farmers Home Administration (FmHA) hereby agrees that, in accordance with applicable provisions of the FmHA regulations published in the Federal Register and related forms, it will execute Form FmHA 449-17, "Contract of Guarantee," on the above loan at the time, subject to the conditions and requirements specified in said regulations and below.

If the Contract of Guarantee is executed, the guarantee fee rate payable periodically by the lender or holder to FmHA while the Contract of Guarantee is in effect, the initial loan subsidy rate, if any, payable by FmHA to such lender or holder, and the interest rate payable by the borrower in cases in which that rate is limited by statute or is fixed from time to time pursuant to statutory formula, will be those rates in effect on the date of this conditional commitment. Such rates and related information may be ascertained from any FmHA office or by consulting the Federal Register.

Additional Conditions and Requirements: 1/

This conditional commitment will expire ____________________ 2/ days from the date hereof unless the time is extended in writing by FmHA, or upon the lender's earlier notification to FmHA that it does not desire to obtain an FmHA guarantee.

UNITED STATES OF AMERICA

By: ________________________________

Date: ____________________

FmHA ________________________________
(Title)

1/ Insert any additional conditions or requirements in this space or on an attachment referred to in this space, otherwise, insert "NONE."

2/ Insert number of days estimated to include issuance of the Contract of Guarantee.

FmHA 449-14 (Rev. 1-2-75)

Position 2

Acceptance or Rejection of Conditions

(Except in Farmer Loan Cases)

*To: Farmers Home Administration (FmHA):

The conditions of Form FmHA 449-14 on the other side of this page:

1. ☐ are acceptable and the undersigned lender intends to proceed with the loan transaction and to request issuance of of a Contract of Guarantee at the appropriate time.
2. ☐ are acceptable, but for other reasons the undersigned lender does not desire a Contract of Guarantee.
3. ☐ are not acceptable and for that reason the undersigned lender does not desire a Contract of Guarantee.
4. ☐ are not acceptable, but would be acceptable if the following changes were made:

If block number "1" above is checked:

(a) It is understood that the following information may now be released upon request: Name and address of applicant, name and address of lender, amount of loan, and general purpose of the loan.

(b) It is anticipated that the Contract of Guarantee will be requested in approximately ____________ months.

____
(Name of Lender)

______________________________ By: ______________________________
(Date) *(Signature for Lender)*

______________________________ ** ______________________________
(Date) *(Signature of Applicant)*

* Return completed and signed copy of this form to FmHA office from which it was received, except in Farmer loan cases.

** Required in B&I and RH-MF cases, not in other cases.

On front of form at bottom of page, insert:
NOTE TO LENDER AND APPLICANT: Complete and execute the Acceptance or Rejection of Conditions as indicated on the back of the copy of this form and return it to FmHA except in Farmer loan cases.

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Position 3

USDA-FmHA
Form FmHA 449-22
(Rev. 6-23-75)

FORM APPROVED
OMB NO. 40-R3962

CERTIFICATION OF NON-RELOCATION
AND
MARKET AND CAPACITY INFORMATION REPORT
(To be completed by applicant)

This form is to be executed by applicants for financial assistance for loan guarantees and/or grants under provisions of the Consolidated Farm and Rural Development Act.

Name of Applicant:

2a. Employer ID No.

3. Location of Proposed Project:

2b. Labor File No.

This Project is:
☐ A new business venture
☐ A new branch or facility
☐ An expansion of an existing facility
☐ Refinance of Existing Loan
☐ A Transfer of Ownership
☐ Other (explain)

5. Affiliate or Subsidiary of:

Amount of Loan/Grant:
$ ____________________

7. Purpose of Loan or Grant - (Specify)

8. a. Information about your products or services: (Note: Describe each principal product or service to be furnished through this project. Do not list products or services already being offered unless this project also offers them and they are essentially an expansion of past activities. Enter in Column 6 the same information as provided in Column 4 except it should relate to employment at full capacity. Be specific. For example, **"MANUFACTURE FURNITURE-OFFICE-WOOD DESKS"**.

Principal Product No. (1)	Products or Services and S.I.C. Number (2)	Projected Annual Sales and Average Employment to be Generated by each product:			
		Latest Annual Total		At Full Capacity	
		Sales (3)	Employment (4)	Sales (5)	Employment (6)
Product # 1 $ Value # Units					
Product # 2 $ Value # Units					
Product # 3 $ Value # Units					
Product # 4 $ Value # Units					

b. Principal Occupations:

Occupational Job Title Col. (1)	Average Employment and Wage Rates Current Period Employment (2)	 Average Wage Rate (3)	 When Fully Operational Employment (4)	 Average Wage Rate (5)

9. INFORMATION ABOUT YOUR MARKET

List below, for each principal product or service, the states in which you expect to make the greatest part of your sales. You need list only those states in which you expect to sell at least 5 percent of your total volume. If your sales are nationwide, enter the word **"NATIONAL"** in the righthand column. If more than 5 percent of your total projected sales are to be in any standard metropolitan statistical area (for example, Chicago and its nearby suburbs), enter the name of the area. If possible, give the approximate percentage of your total sales which you expect to make in the states and metropolitan areas listed. (See sample entry in the table below.)

Principal Product or Service	States and Standard Metropolitan Statistical Areas in Which Sales Are Projected		
(Sample entry) Product "X"	Chicago (8%) Kentucky (15%)	Indiana (12%) Iowa (20%)	Wisconsin (20%) Nebraska (10%)

10. INFORMATION ABOUT YOUR COMPETITORS

Please list the principal competitors offering the same or a similar service or manufacturing a similar or identical product, regardless of where they are located, but only those who are selling in the market area you have indicated in Section 9 above, where you intend to sell. Also indicate the location of your competitor's plant(s) from which he is most likely to be serving your market area. If your market is national, omit a listing of competitors shipping points.

NOTE: In terms of the following listing, a competitor should be considered an enterprise offering essentially similar services or products. Thus, a summer resort providing golf, swimming and tennis is not competitive with a winter resort offering only skiing and skating. By the same token, gypsum board or particle board are not considered competitive with plywood, nor wood furniture with metal furniture.

A. Names of Competitors	Location of plants serving market
1.	
2.	
3.	
4.	
5.	

B. To the best of your knowledge, has any competitor recently ceased operations or withdrawn from your market area? Give name and state reason, if known.

Are you aware of any potential new entries or planned expansions which will be competitive in your market area? If know, describe by name and location.

Applicant must check one of A, B, or C below: (NOTE: "Related Company" as used in this form means any affiliate, subsidiary, or other business entity under direct, indirect or common control with applicant.)

☐ A. New Business Venture. This project is a new business venture unrelated to existing business facilities, and that the applicant is not a company related to an existing business facility. (NOTE: If applicant or a related company has ceased or substantially reduced operations during the 24 months preceding the date of this request, the information required by Section 14 below must be attached.)

☐ B. Expansion of Applicant's Only Business Facility. This project is an expansion of an existing business facility located at:

____

____

Which carries on the following operations: ____________________________

____

____

____

☐ C. Applicant or Related Company with Business Facility at Another Location. Applicant has attached ________ pages containing the information required by Section 14 of this form concerning business operations conducted by the Applicant or by a related company at other locations than the location of the proposed Project. Applicant has included business operations which have ceased or have been substantially reduced during the 24 months preceding the date of this Request if such operations were conducted by Applicant or a related company.

It is not the intention of the Applicant or any related company to relocate any present operation as a result of the proposed Project; that to the extent said Project is undertaken to assist in the expansion of the operations of Applicant through the establishment of a new branch, affiliate or subsidiary of Applicant, such expansion will not result in an increase of unemployment in the area of original location or in any area where Applicant or any related company now conducts related business operations; that any such expansion is not being undertaken with the intention of closing down or curtailing any existing operations of Applicant or of any related company; and that such project is not being undertaken with the intention of performing as contractor or subcontractor work heretofore performed by Applicant or a related company, the transfer of which work would result in the transfer of employment opportunities from one location to another and an increase in unemployment at the previous location of such work.

I agree further that if within one year of the commencement of operations of the Project for which the Farmers Home Administration (FmHA) has made a grant, loan, or guarantee, there should occur a significant and related decline in employment in a present location or locations conducted by Applicant or a related company, the lender, pursuant to instructions from FmHA, shall liquidate the loan or accelerate the repayment of any financial assistance guaranteed, insured, or provided by FmHA. I understand that there shall arise a rebuttable presumption that a decline in employment in a present location or locations is significant and related to FmHA assistance to the Project, if the reduction in average employment in present facilities and location is equal to (a) 50% for all locations or (b) 25% for one location, of the level of employment in this FmHA assisted Project. These understandings and agreements are applicable to all transferees and successors in interest.

The information required by this Section must be supplied if Applicant or a related company now conducts business operations at a location other than the location of the proposed Project, or if Applicant or a related company has ceased or substantially reduced operations within the 24 months preceding the date of this application. A separate sheet of paper should be used for each location. Give the following information:

(1) Name of company, (2) Full address of site on which business operations are or were conducted, (3) Relationship of Applicant to business entity conducting operation, (4) Brief description of articles produced or services provided at location, (5) Underline production articles or services provided which are similar to articles to be produced or services to be provided by the proposed Project, (6) Average number of persons employed at the location, (7) Average number of persons employed in production of articles or services similar to those provided by the proposed Project, (8) If applicable, date on which operations ceased, or were substantially reduced, and (9) if applicable, the size of the reduction.

13. Please give below name, address, telephone number and title of person to be contacted if any questions arise concerning this form.

____

____

____

____

14. CERTIFICATION: I, the undersigned, hereby certify that the information reported on this form, and any attachments thereto, are to the best of my belief and knowledge, truly representative of the facts and reflect the future intentions of the Applicant as they are as of this date :

____________________ ______________________________

(Date) *(Signature of authorized official)*

____

(Title)

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APPENDIX H

MEMORANDUM OF UNDERSTANDING BETWEEN THE SMALL BUSINESS ADMINISTRATION AND THE UNITED STATES DEPARTMENT OF AGRICULTURE FARMERS HOME ADMINISTRATION

PREAMBLE

Public Law 94-305, which amended the Small Business Act, authorized the Small Business Administration (SBA) to assist small businesses engaged in farming and related activities under its existing programs. This legislation did not create any new SBA loan programs but merely included the agricultural industries among the industries eligible for SBA assistance. Neither did the legislation diminish, in any way, the responsibility of the Farmers Home Administration (FmHA) to meet the financial and other needs of farmers.

This joint memorandum reaffirms the mutual desire of SBA and FmHA to cooperate in the use of their respective loan making authorities to complement the activities of each other and, to the extent possible, to improve and expand the delivery of financial assistance to the agricultural production segment of the country: all with the least possible degree of overlapping, confusing or duplicating activities.

GENERAL GUIDELINES

1. The FmHA administers its financial assistance programs through its State, District and County offices.

   The SBA administers its financial assistance programs through its Regional, District and Branch offices.

   FmHA State Directors and SBA District Directors will exchange addresses of their offices and identify the geographical areas served by each. This information will be available in all field offices of both agencies so applicants can be referred to the appropriate offices. These same officials will make arrangements to inform the personnel within their jurisdictions of the other agency's current loan making and servicing policy so the referral advice given to potential applicants will be as accurate as possible

2. FmHA and SBA will establish a liaison at both the State Director/District Director level and the National level and periodically coordinate their activities to: (a) exchange detailed information concerning loan programs, (b) define areas of cooperation between the two agencies, (c) assure that their programs are servicing the intended recipients, (d) establish new methods to serve the public more expeditiously, and (e) achieve maximum utilization of their respective resources.

The SBA and the FmHA agree that the interests of agricultural industries will be best served and that each agency will achieve better utilization of available resources through the following operating guidelines:

3. Potential applicants may contact either agency for an interview but may file an application with only one agency at a time. However, SBA will encourage those potential applicants that have been or are borrowing through the FmHA to continue their relationship with that agency.

4. Potential applicants meeting FmHA eligibility requirements will, at the time of initial interview, be advised by SBA to contact the appropriate FmHA County Office for assistance.

   FmHA personnel will, at the time of initial interview, refer potential applicants who are not eligible for FmHA assistance, (such as corporations, partnerships or aliens, applying for certain loans) to SBA if they appear to be eligible for SBA assistance.

5. Potential applicants are not to be referred back and forth between FmHA and SBA. Representatives of each agency must be reasonably certain that the applicant and proposed use of proceeds may be eligible for assistance from the other agency before a referral is made.

6. Neither agency will refuse a loan request from an applicant who prefers to file with that agency.

7. Agricultural applicants filing for financial assistance from either agency will give written permission for FmHA and SBA to exchange whatever prior or current loan application and loan experience information, including appraisals, either may have in its files.

8. Applicants who are denied FmHA assistance for any reason, including lack of FmHA funding, may contact SBA for assistance.

9. Applicants filing for financial assistance from either agency must use the forms and procedures of the agency being requested to provide the assistance. An applicant who is denied assistance by either agency must use a new application to file with the other in accordance with that agency's forms and procedures.

10. Applicants should not have to apply to two Federal agencies to borrow funds for a single purpose. Therefore, if either FmHA or SBA can make the entire loan, the applicant should not be referred to the other agency for part of the funds needed. If either FmHA or SBA cannot make the entire loan, the applicant should be referred to the other agency. Joint funding with shared collateral between the agencies is not encouraged and should be used only as a last resort.

DESCRIPTION OF LENDING POLICIES

11. The FmHA makes guaranteed loans and insured loans. Guaranteed loans are loans where the lending institution advances the entire funds from its account and the FmHA guarantees repayment of a certain percentage of principal and interest. Insured loans are those made from one of FmHA's insurance funds.

The SBA makes guaranteed, immediate participation and direct loans. The guaranteed loans are those where the lending institution advances the entire loan and the SBA agrees to purchase a percentage of the outstanding balance at time of default. Immediate participation loans are those where SBA disburses a percentage of the loan and the lender disburses the remainder from its account. Direct loans are made with SBA funds alone.

FmHA LOAN PROGRAMS FOR FARMERS

12. Operating Loans.

a. Eligibility:

Be a citizen of the United States

Be unable to obtain credit elsewhere (exclusive of SBA).

Be the operator of a family farm.

Note: A "family farm" is defined as "one that will produce agricultural commodities for sale in sufficient quantities so that it is recognized as a farm rather than a rural residence; one that will provide substantial income by itself and which together with any other dependable income will enable the family to pay necessary family and other operating expenses, including maintenance of essential chattel and real property and pay debts; and one for which the operator and his immediate family provide the management and are actively engaged in the operation by providing a major amount of the farm and any nonfarm enterprise labor. A reasonable amount of hired labor may be used during seasonal peakload periods."

b. Loan Purposes:

Finance livestock, machinery and operating expenses.

Refinance debts.

Finance non-farm enterprises.

c. Terms:

Up to seven years with five-year renewal.

Interest rate based on the cost of Treasury borrowings.

d. Loan Limit - $50,000.

13. Farm Ownership Loans.

a. Eligibility:

Be a citizen of the United States.

Be unable to obtain the credit from other sources (exclusive of SBA).

Be the owner-operator of a family farm after loan is closed.

b. Loan purpose:

Buy land.

Construct and repair farm buildings.

Develop land and pollution control measures.

Develop farm irrigation facilities and domestic water supply.

Refinance Debt.

Finance non-farm enterprises.

c. Terms:

Up to 40 years.

Five (5) percent interest rate.

d. Loan Limits:

$100,000.

Maximum debt on security with other credit is $225,000.

14. Soil and Water Loans.

a. Eligibility:

Be unable to obtain the credit elsewhere (exclusive of SBA).

Be a farm tenant, owner, partnership or corporation engaged in farming.

b. Loan Purposes:

Develop land and pollution control practices.

Water Development.

Purposes related to soil and water conservation

c. Terms:

Up to 40 years.

Five (5) percent interest.

d. Loan Limits:

$100,000.

Maximum debt on security with other credit is $225,000.

15. Recreation Loans.

a. Eligibility:

Be a citizen of the United States.

Be unable to obtain the credit elsewhere (exclusive of SBA).

Be an individual engaged in farming when the loan is applied for.

b. Loan Purposes:

Convert all or part of the farm to outdoor recreation enterprises.

Acquire land and easements for recreational uses.

Refinance debts.

c. Terms:

Up to 40 years.

Five (5) percent interest rate.

b. Loan Limits:

$100,000.

Maximum debt on security with other credit is $225,000.

16. Rural Housing.

a. Eligibility:

Be a U.S. citizen or permanent resident.

Be unable to obtain credit elsewhere (exclusive of SBA).

Be a farmowner without decent, safe and sanitary housing for his own use or the use of tenants, sharecroppers, farm laborers or farm manager.

b. Loan Purpose:

Buy, build or repair dwellings of modest size, design and cost.

c. Terms:

Up to 33 years.

Interest rate established periodically based on housing money market rate.

d. Loan Limit:

The cost of providing modest, decent, safe and sanitary housing.

17. Business and Industry Loans.

a. Eligibility:

If an individual, a U.S. Citizen.

A cooperative, corporation, partnership, trust, Indian tribe, or other legal entity.

b. Loan Purpose:

Pollution control measures.

c. Terms:

Up to 30 years.

Interest rate is negotiated between lender and applicant.

d. Loan Limits:

No statutory dollar limit; determined by cost of project and credit factors.

18. Grazing Association Loans.

a. Eligibility:

Be a nonprofit association.

Be unable to obtain credit elsewhere (exclusive of SBA).

Provide seasonal grazing for association members.

b. Loan Purposes:

Acquire land for grazing.

Develop land for grazing.

Pollution control measures incidental to other authorized purposes.

c. Terms:

Up to 40 years.

Five (5) percent interest rate.

d. Loan Limits:

No statutory or regulatory dollar limit--determined by value of security.

19. Irrigation, drainage and soil and water association loans.

a. Eligibility:

Be an association composed primarily of farmers and other rural residents.

Be unable to obtain credit elsewhere (exclusive of SBA).

Provide a facility to serve farmers and other rural residents within the service area.

b. Loan Purpose:

Install or improve drainage facilities.

Install, repair or enlarge irrigation facilities.

Install or improve soil conservation and water control facilities including pollution abatement.

Special-purpose machinery and equipment.

c. Terms:

Up to 40 years.

Five (5) percent interest rate.

d. Loan Limit:

No statutory or regulatory dollar limit--determined by value of security.

NOTE: In addition to the eligibility requirements for specific programs listed above, the following eligibility requirements must be met by all FmHA borrowers:

Have the experience to carry out the proposed operation to be financed.

Have the ambition to carry out the proposed operations.

Have the management ability to carry out the obligations required in connection with the loan.

SBA LOAN PROGRAMS FOR AGRICULTURAL ENTERPRISES

In addition to the specific eligibility factors listed under the following SBA programs, a borrower must be of good character, be an eligible small business under SBA Rules and Regulations (13 CFR Parts 121 and 122), be organized for profit, and be able to evidence reasonable assurance of ability to repay the loan from the profits of the business. Can be proprietorship, partnership or corporate business organization, and need not be a citizen of the U.S.A.

20. Regular Business Loans--7(a).

a. Eligibility:

Be eligible under SBA Rules and Regulations (13 CFR Part 120).

Be unable to obtain the credit from non-Federal sources through utilization of personal resources or otherwise.

b. Loan Purpose:

Purchase of land and buildings and land improvements (fencing, irrigation systems, etc.) including pollution control facilities essential to the small business.

Construction, renovation or improvement (including water systems) of (i) farm building other than residential buildings or (ii) residential buildings essential to the business if not available from other Federal sources.

Purchase of farm machinery and equipment (appliances and other household contents used for residential purposes are not eligible).

Operating expenses directly related to the farming operation excluding personal or family living expenses.

Refinancing of debt directly related to the farming operation, but excluding personal or family debt.

c. Terms:

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The interest rate on direct and SBA share of immediate participation loans is based on a legislative formula.

The lender's interest rate on immediate participation and guaranty participation loans is established by the lending institution, within SBA policy, but cannot exceed SBA's maximum which is periodically published in the Federal Register.

Maturity of the loans will generally not exceed one year for annual seed, feed, fertilizer and other annual needs, 7 years for that portion of the loan used for working capital, 10 years for that portion of the loan used for livestock and/or farm machinery and equipment, and 20 years for that portion of the loan used for acquisition or construction of real estate. However, all borrowers are expected to repay the loan as soon as possible and these maximum maturities are not automatically available in every case.

SBA loans are generally repaid in even monthly payments of principal and interest. However, quarterly, semiannual, annual or seasonal payments can be arranged when necessary.

d. Loan Limits:

Direct loans have an administrative limit of $150,000.

Immediate participation loans have an administrative limit of $150,000, SBA share. (Both the direct and immediate participation administrative limits can be waived in exceptional situations by SBA's Regional Directors.)

Guaranty participation loans have a limit of $350,000, SBA share, except that in exceptional situations the SBA share can be increased to $500,000.

The limits on a borrower's total indebtedness to SBA on all outstanding loans is (i) the aggregate of direct and the SBA share of immediate participation loans cannot exceed $350,000 and (ii) the aggregate of direct and the SBA share of immediate participation and guaranty participation loans cannot exceed $500,000 at any one time.

21. Economic Opportunity Loans.

a. Eligibility:

Must be economically or socially disadvantaged.

Meet the eligibility requirements set forth in SBA Rules and Regulations (13 CFR Parts 119 and 120).

b. Loan Purposes:

Can be used for the same purposes as Regular Business Loans.

c. Terms:

Interest on direct and SBA share of immediate participation loans is subject to a legislative formula, and is subject to change quarterly.

The lender's interest on immediate and guaranty participation is the same as for regular business loans.

Maturities of these loans are generally restricted to 10 years for working capital other than annual operating expenses and farm machinery and equipment and to the legislative limit of 15 years for real estate purposes. However, no borrower will receive a longer maturity than is necessary for the loan to be repaid from the business income.

d. Loan Limits:

These loans cannot exceed $100,000 SBA share, whether direct, immediate participation or guaranty.

22. Water Pollution Control Loans.

a. Eligibility:

Meet eligibility requirements set forth in SBA Rules and Regulations (13 CFR Parts 120 and 1[illegible]).

Must have a statement from EPA of the necessity and adequacy.

[illegible] likelihood of substantial economic injury.

b. Loan Purposes:

Only to make modifications and changes necessary to meet the Federal standards established under the Federal Water Pollution Control Act or State standards established in compliance with the Federal Water Pollution Control Act.

c. Terms:

Interest rate same as for Regular Business Loans.

Maturity not to exceed 30 years.

d. Loan Limits:

No dollar limit.

23. Other Substantial Economic Injury Programs.

The SBA has loan authority to aid small businesses that suffer substantial economic injury as a result of a Federal action or Federally directed action, such as Occupational Health and Safety regulations, Air Pollution Control regulations or being displaced by a Federally financed construction project. These programs are more completely described in 13 CFR Part 123.

ADMINISTRATIVE GUIDELINES

24. The services of FmHA and SBA to lenders and applicants are, by mutual agreement, those that each agency would provide any eligible applicant in the normal course of business and there will be no reimbursement by either agency to the other for such services.

25. The National Office of FmHA and the Central Office of SBA will cooperate with each other in counseling their field offices and in resolving problems in specific cases.

26. This Memorandum of Understanding in no way alters or supersedes the existing Memorandums between the two agencies covering their disaster (emergency) loan authority and FmHA [illegible] Industrial Loan Program.

27. This Agreement may be amended at any time by written agreement of both parties.

28. This agreement shall take effect upon the date of execution thereof.

Name
Administrator
SBA

Date: SEP 2 1976

Name
Administrator
FmHA

Date: Sept. 20, 1976

APPENDIX I

INDUSTRIAL DEVELOPMENT BOND FEES

FINANCIAL EXPENSES

- DELAWARE -

All expenses incurred by the Department of Community Affairs and Economic Development are charged to the appropriate project to which they apply. These expenses include, but are not limited to:

1. The basic service charge for the costs of processing the bond issue, and the annual service fee for the maintenance of the project. These costs are indicated below.

a. **GENERAL OBLIGATION BONDS**
Basic Service Charge:

BOND ISSUE	CHARGE
$ 200,000 to $ 600,000	1.0%
$600,001 to $1,200,000	$6,000 plus .7% of amount over $600,000 to $1,200,000
$1,200,001 to $3,000,000	$10,200 plus .5% of amount over $1,200,000 to $3,000,000

Annual service fee on each project is 1¼% of the annual payment of interest plus principal.

b. **REVENUE BONDS**
Basic Service Charge:

BOND ISSUE	CHARGE
$ 0 to $ 500,000	$2,500
$500,001 to $1,200,000	$2,500 plus .5% of amount over $500,000 to $1,200,000
$1,200,001 to $2,000,000	$6,000 plus .4% of amount over $1,200,000 to $2,000,000
$2,000,001 to $3,000,000	$9,200 plus .3% of amount over $2,000,000 to $3,000,000
$3,000,001 to $5,000,000	$12,200 plus .2% of amount over $3,000,000 to $5,000,000

Annual service fee on each project is $400 based on 20 hours a year at $20 per hour.
Time spent over 20 hours will be billed at the rate of $20 per hour.